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Philadelphia's 13th Street Passages: A Model for Urban Main Street Development

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Philadelphia's 13th Street Passages: A Model for Urban Main Street Development

Abstract

To a large extent, this thesis will investigate how 13th Street was successfully revitalized using a strategy similar to that of the National Trust for Historic Preservation's Main Street Program, a broadly applied framework for the revitalization of historic commercial centers in downtown communities nationwide. The success of the Main Street program, as outlined in its Four-Point Approach to revitalization, relies on early and strong community organization and small business partnerships. However, because there was such little concern among business owners on 13th Street, and because the City of Philadelphia was unable to take a leading role in redevelopment, a different solution was needed. That solution was a public-private strategy – with an emphasis on private – led by a real estate development company that took an approach that in many ways followed Main Street ideas and principles.

It is an uncommon strategy for a private-sector developer to take a large-scale and long-term interest in a historic neighborhood. This study will therefore have to answer the following questions: How did Goldman adapt a Main Street approach – which is traditionally used in the downtowns of small communities – to 13th Street, which is only one part of a much larger urban fabric? How did the developer balance physical improvements with the long-term need to attract businesses and promote this new (or recreated) place? The answers to these questions are grounded in historic preservation and urban policy, economics, and design.

Disciplines

Historic Preservation and Conservation

Comments

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PHILADELPHIA'S 13TH STREET PASSAGES:
A MODEL FOR URBAN MAIN STREET DEVELOPMENT

Kevin McMahon

A THESIS

in

Historic Preservation

Presented to the Faculties of the University of Pennsylvania in
Partial Fulfillment of the Requirements of the Degree of

MASTER OF SCIENCE IN HISTORIC PRESERVATION

2011

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Introduction

In 1998, Goldman Properties, Inc., a real estate development company responsible for the revitalization of South Beach in Miami and SoHo in Manhattan, turned its eyes to Philadelphia. Tony Goldman, the company's chairman and CEO, saw an opportunity on 13th Street between Chestnut and Walnut Streets, a small-scale, historic commercial corridor plagued for decades by drugs and prostitution, not to mention low-rent retail such as check cashing businesses and adult bookstores (Figure 1). Even after the area was designated a National Register Historic District and the Center City District began daily street cleaning, 13th Street continued to deteriorate. Although the neighborhood had been in decline for years, the integrity of its historic architecture, ranging from nineteenth-century rowhouses to early twentieth-century, mid-rise apartment buildings, remained high (Figure 2). Goldman saw great potential for revitalization in the area's existing historic fabric, especially given its proximity to public transportation and Philadelphia's Central Business District. Implementing a comprehensive, long-term plan involving political organization, branding, promotion, and urban design, Goldman Properties turned the neighborhood around. Goldman named the plan "13th Street Passages." Today, twelve

years after the developers began investing in the area, 13th Street is one of the most vibrant and economically viable commercial corridors in Center City Philadelphia, especially for small businesses.

To a large extent, this thesis will investigate how 13th Street was successfully revitalized using a strategy similar to that of the National Trust for Historic Preservation's Main Street Program, a broadly applied framework for the revitalization of historic commercial centers in downtown communities nationwide. The success of the Main Street program, as outlined in its Four-Point Approach to revitalization, relies on early and strong community organization and small business partnerships. However, because there was such little concern among business owners on 13th Street, and because the City of Philadelphia was unable to take a leading role in redevelopment, a different solution was needed. That solution was a public-private strategy – with an emphasis on private – led by a real estate development company that took an approach that in many ways followed Main Street ideas and principles.

It is an uncommon strategy for a private-sector developer to take a large-scale and long-term interest in a historic neighborhood. This study will therefore have to answer the following questions: How did Goldman adapt a Main Street approach – which is traditionally used in the downtowns of small communities – to 13th Street, which is only one part of a much larger urban fabric? How did the developer balance physical improvements with the long-term need to attract businesses and promote this new (or recreated) place? The answers to these questions are grounded in historic preservation and urban policy, economics, and design.



Figure 1 13th Street Context Map



Figure 2 13th Street Streetscape in 2010.
Photos by the author

This thesis will demonstrate how a Main Street-like approach was adopted by a private-sector developer to successfully rehabilitate and economically restructure a historic commercial corridor. This will partly involve a study of tax increment financing, the Federal Rehabilitation Tax Credit, and Philadelphia's Storefront Improvement Program as three tools essential to the successful redevelopment of this commercial center. Exploring why this particular combination of incentives was used, and how it was essential to Goldman's long-term, comprehensive strategy will be crucial. Also, because 13th Street exists in a much larger urban environment than the average Main Street, its redevelopment activated the interests of a much wider variety of political interests than normal. Therefore, an analysis of the political context of this project must also be analyzed.

The redevelopment of 13th Street was not just about real estate development, however. It was also about place making and recreating, in a very planned way, the vitality and urban design qualities of a historic, walkable urban neighborhood. A large part of Goldman's strategy was to develop a strong promotional program to both attract and market local businesses and to change public perceptions of the area as a whole. These efforts were as essential to the corridor's success as the rehabilitation of the physical environment, and further suggest an adherence to the Main Street Program's approach and guidelines, if not an outright embrace. This thesis will analyze how these promotional strategies fit into Goldman's overall goals and how they have (or have not) succeeded in recreating a 'real' urban place.

Although an understanding of the process of 13th Street's redevelopment is

essential, a look at its outcomes and the corridor's possible future is also very important. This study will therefore attempt to demonstrate how Goldman's project has had a positive impact on property values and tax revenue within the TIF district, how it might have affected population trends, and how the project continues to cultivate a community of locally owned, independent businesses. It will also consider how 13th Street might fare in the coming years as its business community grows and its image improves.

The geographic scope of this study is limited to the area between Chestnut Street, Walnut Street, Juniper Street and 12th Street (Figure 1). All of the buildings owned by Goldman Properties are contained here and this is where much of the commercial revitalization has been concentrated in the past decade. This area, which is contained also within the Center City East Commercial National Register Historic District (NR 1981), includes all properties along 13th Street between Chestnut and Walnut Streets and some to the east and west on Sansom and Drury Streets.

Justification

The Main Street Program has proven that historic downtowns and commercial corridors are ideal environments for economic development, with the rehabilitation of old buildings as the principle catalyst for such activity. At the same time, preservation is still one of the most underrated strategies for urban redevelopment. Apart from Main Street, which is generally a community initiated and driven program for downtown revitalization, the great potential for success in the reuse of historic commercial centers in large cities is often overlooked, especially by private sector developers. Goldman Properties' project on

13th Street, however, is a major exception and has not yet been studied.

Real estate developers often rehabilitate individual historic buildings – with a fairly quick return on their investment – for reuse as commercial or residential space. In comparison to what Goldman Properties took on with this initiative, the risk involved in such a project is relatively low. But the type of project initiated by Goldman Properties in Philadelphia was never intended to be such an overnight success. The developer did not expect to reap any significant return on his investment in the short term. Goldman's ability to realize that this type of project required a long-term, comprehensive strategy – not to mention a relatively high amount of risk – was key to successfully rebuilding a strong and healthy economic base in the neighborhood.

Economist Donovan Rypkema writes in *The Economic Benefits of Historic Preservation: A Community Leader's Guide* that “historic preservation is an incremental economic development strategy,” not a quick or big fix. Indeed, although developers generally like to see positive results as quickly as possible, Goldman realized that a building by building and business by business approach was essential to the economic viability of 13th Street, its long-term capacity to sustain a business community, and its ability to overcome intensely negative perceptions. In an era when Federal funding for urban projects is limited, this private-sector led model could be applied more widely and with great success if the developer is willing to make a long-term commitment to the project.

Chapter 1

Literature Review

The essential relationship between historic preservation and downtown revitalization has been studied for years. As many studies show, preservationists, planners and economic development experts now generally agree that the rehabilitation of historic buildings – particularly at the neighborhood or downtown scale – can result in substantial economic benefits for residents and business owners. Roberta Brandes Gratz (1998) stated frankly that preservation is “the most underrated catalyst for urban rebirth nationwide.” Donovan Rypkema (2008) similarly noted that “historic preservation is nearly always a central element in successful downtown revitalization efforts.” Remade and reused downtown districts, Rypkema has proven many times, result in “a higher return in property taxes, sales taxes, number and variety of jobs, and businesses created” than do new commercial building projects.

Emphasis on the physical environment, however, can never be the only answer to commercial revitalization. Many writers caution that the rehabilitation of historic buildings in downtowns should only be one part of a comprehensive strategy that includes business attraction, improvement of existing businesses, and marketing activities (Les 1988).

Rypkema's work in particular has noted the numerous reasons why preservation makes sense for economic development in the context of downtown. Again, it is not just about rehabilitating old commercial buildings; downtown revitalization in many cases also requires economic restructuring. To that end, Rypkema draws numerous connections between historic preservation and small business creation. Echoing Jane Jacobs' writings on the necessity of 'aged buildings' to the economy of cities – "new ideas require old buildings" – Rypkema (2008) demonstrated how older buildings provide excellent incubator space for new businesses. In other words, it is easier for small businesses, which are a requirement for a healthy urban economy, to open in existing spaces because the upfront capital costs are so much lower than new construction. Indeed, "One of the greatest economic strengths of downtown," Rypkema wrote, "is that it can provide space for businesses at both ends of the spectrum. This is untrue everywhere else." To provide a relevant example, every business that opened on 13th Street since Goldman's project began in 1998 has been a new small business.

Although there is consensus on the economic benefits of historic preservation in downtowns, the precise methods or strategies that lead to success are perhaps not as universal or formulated. Wagner (1993) noted two forms of downtown revitalization through historic preservation that have been used since the 1980s. The first is the catalyst approach, which relies on a major rehabilitation and reuse of a landmark building. As its name suggests, this approach is generally expected to spur additional growth and preservation projects in its immediate surroundings. The incremental strategy, on the other hand, "relies on a series of small, interdependent projects being implemented within a

particular district or area rather than a single large development.” Both strategies have had their successes and failures over the past thirty years, but the question of which approach to take has generally been determined by the urban context in which it is needed. The catalyst strategy has more often been used in large urban central business districts, while the incremental strategy is suited better to small towns and cities. The circumstances were different on 13th Street, however, which existed not as the sole downtown of a small community, but as a one part of a much larger urban fabric. From the beginning of their investments on 13th Street, Goldman Properties has followed a long-term strategy of incremental growth normally associated with smaller urban communities, but adapted to fit the context of a more complex urban environment like Philadelphia.

That 13th Street was revitalized using a strategy meant normally for small towns is evidence alone that there is no one answer or solution to improving historic commercial corridors. Every place has its own unique economic, political and social conditions. Les (1988) wrote that the closest thing that exists to a reliable formula for downtown revitalization is the National Trust for Historic Preservation’s Main Street Program. One of the most successful and well known programs for improving urban commercial environments, Main Street has proven that historic downtowns and commercial corridors are ideal environments for economic development. Over the past 30 years, the program has been implemented in as many as 2,000 communities across the country, and has generated \$49 billion in reinvestment in downtown commercial districts. The success of the Main Street Program nationwide attests to the important role of historic fabric in the redevelopment of deteriorating urban environments, especially those with a strong

commercial component.

Lawson Smith (1995) identified three distinct phases of evolution that all Main Street downtown revitalization process: the catalyst stage, the growth stage, and the management stage. These, however, are broad categories that do not reveal the sometimes complex organizational and political negotiations that must occur to implement the program. Each town or small city that decides to undertake such a strategy must adapt the program to fit its particular economic, political, and social needs. Even greater care and time must be taken to tailor the program to places that do not fit the traditional mold for Main Street, particularly commercial corridors in larger, denser urban settings.

While the Main Street program's success in the downtowns of small communities or cities is well studied, its effect on small commercial corridors in much larger urban areas is not as well understood. Indeed, downtown revitalization through preservation is still one of the most underrated strategies for urban redevelopment outside of the professional and academic communities of historic preservation and planning. Karl Seidman (2004) wrote a guide to implementing an urban Main Street program for practitioners, but literature describing how these strategies have played out is limited. Much of Seidman's literature review (2002) on inner-city commercial revitalization was drawn from a body of much broader research on neighborhood revitalization, economic development, and downtown development.

Even less understood is how the Main Street approach has been appropriated by private sector developers or non-profit institutions in large cities. In some cases, private sector or non-profit developers have utilized the program's 4-point approach to achieve a

revitalized commercial corridor. The first point, organization, is in some ways automatic in that the developer has already purchased a critical mass of property and fully controls how those properties are developed. The next three points, promotion, design, and economic restructuring, follow a similar long-term process as a traditional Main Street project. Tim Love (2007) suggested, however, that the large-scale development of small scale properties by a single private-sector entity is quite rare. He pointed to the Fort Point neighborhood in Boston and B3 in Philadelphia (the 13th Street area's former name) as the most significant of very few successful examples of this type of development.

In an effort to reveal how developers have undertaken urban Main Street projects, Strong and Stroud (2002) studied four redevelopment projects, two led by private-sector real estate developers and two that were community driven in the traditional Main Street model. The authors examined the development process, management structure, and tenant mix of all four projects. They found that the developer-led projects were generally more efficient and successful, but largely because of the imperative to achieve an adequate return on investment. Success was achieved more gradually in the community-driven projects, which faced a more complex organizational stage and were mainly interested in creating an environment that met the needs of its business partners.

Although Strong and Stroud have already studied the process and effects of a developer-led Main Street redevelopment project, their case studies differ from 13th Street in a significant way. The two places they examined, Harlem USA in New York City and Mizner Park in Boca Raton, Florida, although similar in size to the 13th Street project, had strong and active residential communities within or surrounding them. The

developers were forced to consider the interests and concerns of these communities in their visions for redevelopment. The situation was vastly different on 13th street, however, where there were no more than a few dozen people living full-time before 2000, many of which were drug addicts and prostitutes. In many ways the lack of community interest made this place based project easier, but it also presented other challenges.

If the Main Street approach is so successful, and its 4-point strategy can be utilized profitably by real estate developers, why hasn't it caught on more in big cities? Although not studied in depth, some authors have examined the lack of interest or awareness of preservation-based revitalization in larger urban settings. Both Gratz (1998) and Rypkema (2008) believe that preservation hasn't gained the attention that larger projects like stadiums or convention centers have because it is an incremental strategy for revitalization, not a quick or big fix. Apart from the Main Street Program, which is generally a community initiated and driven program for redevelopment, the great potential for success in the revitalization of historic commercial districts in large cities is often overlooked, especially by developers. Seidman (2001) suggested that because the Main Street Program is a more grassroots approach, there is an inherent difficulty in applying it to commercial corridors in large cities, where it is difficult to coordinate the actions of many individual property owners and merchants. Goldman Properties' project on 13th Street, however, is a major exception to this problem and warrants further investigation.

Yet another reason why the Main Street strategy has not caught on in large cities is municipal government's lack of interest in or ability to fund urban redevelopment projects. Farr (1990) touched on an important reality of municipal governments today. In

recent years, it has been uncommon for cities to make neighborhood-based commercial development a priority. Greuling (1987) and Wagner (1995) also emphasized the detrimental effect on downtowns that declining public-sector investment has wrought. If, as Rypkema (2008) wrote, “investors and their lenders must have confidence that the public sector will maintain an ongoing commitment to the area,” then how does commercial corridor revitalization happen without direct public investment?

Acknowledging the realities of declining federal, state, and even local investment in urban redevelopment, many planners and economists have stressed the importance of a private partner in the revitalization of downtown areas. Based on the assumption that “the health of Downtown is directly related to the health of the community as a whole,” Delores Palma (1994) provided what she views as the top ten initiatives that contribute to a successful downtown. Number one is public-private partnerships. “In these partnerships,” Palma wrote, the public sector, the business sector, and the civic sector joined together, made decisions together, and each carried their weight to reinvest and reinvent their Downtown.” What is unique about such collaborative projects, however, is that they are often driven by the private entity rather than public sector (Palma 2000, Leinberger 2005).

Indeed, to further highlight the role of the private entity over the public in downtown revitalization strategies, Christopher Leinberger (2005) wrote that “successful downtown revitalizations are generally private/public partnerships, not the other way around.” In his view, the public sector should develop a strategy or initiate a plan for redevelopment, but a strong private partner should be there immediately to take over and

make the plan a reality. In some sense, this is what happened on 13th Street. After several years of proposals and plans for redevelopment from the City Planning Commission and other organizations, reinvestment on the corridor happened only with the involvement of a private-sector real estate developer, Goldman Properties, Inc.

Incentives

Seidman (2001, 2004) and Rypkema (1998) both argued for the importance of financial incentives to downtown revitalization and historic preservation. In many cases, large public subsidies, tax credits, and property tax abatements have been used to close the feasibility gap in many projects, especially in cities with weak real estate markets. The 13th Street project in Philadelphia was no exception, where a combination of tax increment financing, federal rehabilitation tax credits, and facade improvement grants was used to make long-term revitalization possible.

In particular, the use of tax increment financing (TIF) as a method of facilitating downtown development has been the focus of many economic development authorities since it became common in the 1980s. Greuling (1987) and Klemanski were two of the first writers to comment on this innovative financing mechanism, which Greuling viewed as a response to the disappearance of essential federal and state funding for urban redevelopment. An advantage that Greuling pointed out is TIF's ability to make the redevelopment of deteriorating areas like 13th Street – areas that would not otherwise see investment – possible with the involvement of a private partner. TIF is one way for a developer and municipality to form a public-private partnership.

Design

Love (2007) argued that many large-scale urban development projects take traditional city-building concepts (basic streets and blocks, for example) for granted. Because the status quo is never questioned professionally or intellectually, he wrote, monotony is more often than not the result of projects like Battery Park City in Manhattan. Typically, in “the disciplinary and conceptual division between urban design’s focus on ‘the public realm’ and an architect’s focus on the microprogramming of buildings, opportunities are lost for a more fine-grained planning at the ground plane.” More richly conceived and executed plans like Fort Point in Boston and 13th Street in Philadelphia, unlike their predecessors, are carefully programmed at ground level to provide a more vibrant and vital urban experience.

Chapter 2

History and Background

As late as the 1830s, the land around 13th and Walnut Streets was still on the periphery of the growing Antebellum city. When John Hare Powel – a prominent Philadelphian and agriculturalist – decided to build himself a new home, he reluctantly chose a plot at the southwest corner of 13th and Locust Streets, where the Historical Society of Pennsylvania stands today. “I shall place myself on the frontier,” he wrote in 1832, “although my friends condemn me for leaving what is termed the fashionable part of town.”¹ Despite his misgivings, the land was cheap and he acquired a great deal of it, 250 feet of frontage along Locust Street in fact. What Powel lacked in location he more than made up for in his grand new house, for which he commissioned William Strickland, one of the most prominent American architects of the time. Strickland designed for Powel a residence that has been described as “among the premier houses of its day.”²

Although Powel never lived in the house on Locust Street, he had hoped to create an enclave of large residences for the wealthy in this pocket on the fringes of

¹ Brian Hawkins, “Grecian Splendor: The City Mansion of John Hare Powel” (MS Thesis, University of Pennsylvania, 1988): 26.

² George Thomas, “From ‘Frontier’ to Center City: The Evolution of the Neighborhood of the Historical Society of Pennsylvania,” *The Pennsylvania Magazine of History and Biography* 124 (2000): 10-11.

the growing city. He expected other prominent Philadelphians to follow in his footsteps and build similarly grand houses. Powel's dream was never to materialize, however. A map of Philadelphia from 1840 shows that development had already jumped west across Broad Street, a trend that would only intensify through the mid-nineteenth century. Some of this development was residential – the wealthy were slowly leaving their traditional neighborhoods in or around Society Hill and moving toward Rittenhouse Square – but some of it was also commercial, institutional, and industrial. In other words, it was the kind of development that Powel had hoped to avoid.³

By 1860, the neighborhood that Powel had imagined as a bucolic retreat for wealthy city families had become densely filled in with modest brick rowhouses, storefronts, private clubs, theaters, churches, and other institutions. Thanks to its proximity to Broad Street, the area had very visibly become the center of city life in Philadelphia, particularly for business and culture. Within only two blocks of 13th and Walnut Streets could be found the Academy of Music, the Union League of Philadelphia, the United States Mint, and the La Pierre House Hotel on Broad Street.⁴ At the intersection of 13th and Walnut Streets itself stood the new location of the Philadelphia Club, the city's most exclusive social club for wealthy gentlemen. The decision to move to this new location was a testament to the area's new commercial prominence. Lawyers, bankers, and other businessmen had begun to favor Broad Street over Chestnut and Market Streets for their offices, a preference that would secure a prosperous future for this pocket of the city.⁵

³ Thomas, 13.

⁴ The Pierre was considered one of the most luxurious hotels in the country after it was constructed in 1853.

⁵ Thomas, 38.

A series of property atlases and commercial panoramas published through the beginning of the twentieth century document the neighborhood's steady physical transformation into a commercial center (Appendix A). The Hexamer & Locher atlas of 1858-1860 shows a strongly residential neighborhood of brick rowhouses along 13th Street between Chestnut and Walnut, with most of the larger institutions just to the west, on Broad Street. The former Powel property on the southwest corner of 13th and Locust Streets had resisted development – the gardens still extended entirely to Juniper Street – but this would not last long. Fifteen years later, in the 1875 G.M. Hopkins property atlas of Philadelphia, many of the smaller residential properties had been enlarged to accommodate a growing commercial presence. At the southeast corner of 12th and Chestnut Streets, for example, the S.S. White Company, makers of dental equipment and devices, had constructed a new building for manufacturing and display. Allen & Brother's Furniture did the same at 1309-11 Chestnut Street. By 1895, there were almost no entirely residential properties left on this stretch of Chestnut Street, and very few remained just south on 13th Street.

Baxter's Panoramic Business Directory of 1880, a series of lithographs depicting the panoramic elevations of entire city blocks, displays an even more compelling picture of the area's commercial life during the late-nineteenth century (Figure 3). Of the twenty-three properties that stood on the south side of Chestnut Street between 13th and Broad, only two did not have a storefront with large display window on the ground floor. There were stores for parlor organs, antique furniture, groceries, gas fixtures, and apparel in addition to a ticket office of the Pennsylvania Railroad at 1348 Chestnut. Some stores

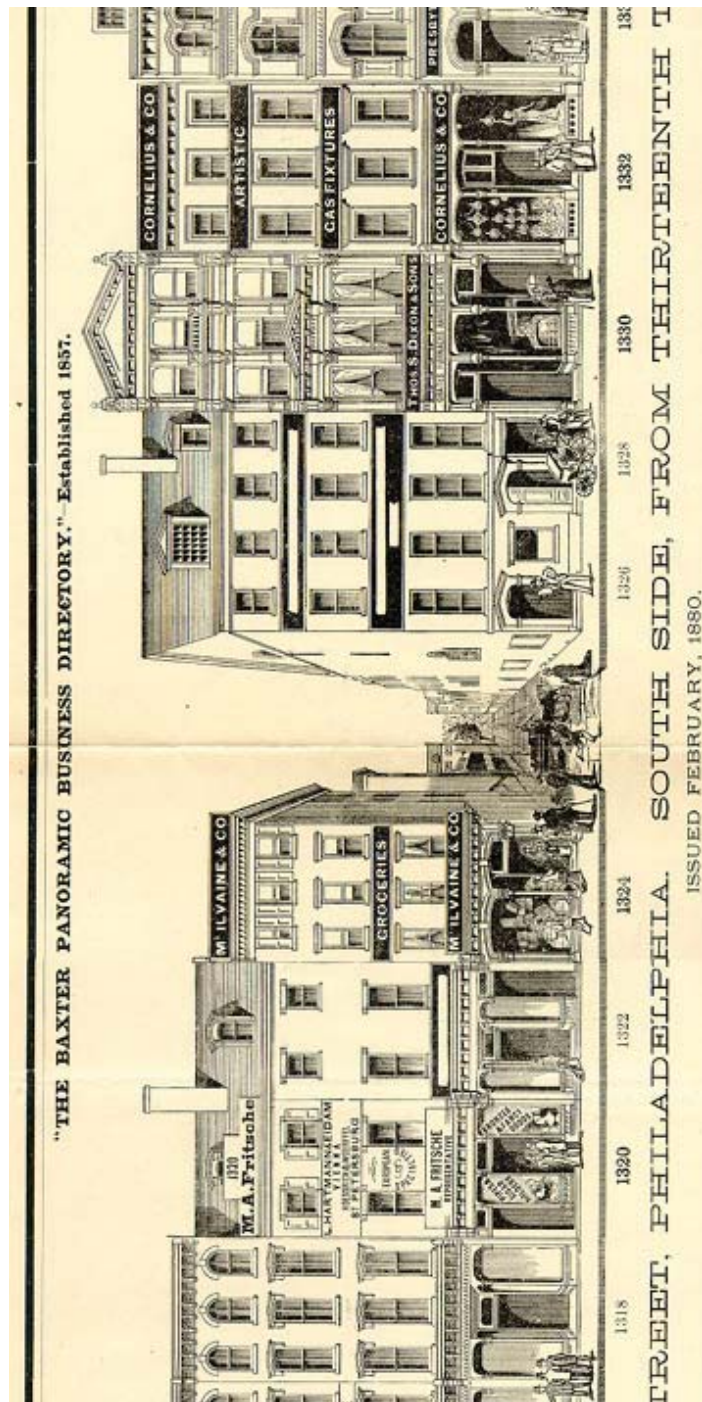


Figure 3 South side of Chestnut Street between 13th Street and Broad Street in the Baxter Panoramic Business Directory, 1880.
Historical Society of Pennsylvania

were in older houses that had been adapted for commercial use on the ground floor, while others had been recently constructed in more elaborate Victorian styles. The story was the same on the north side of Chestnut Street, where the great expanse of commercial buildings was broken only by the imposing, neoclassical edifice of the United States Mint on the west side of Juniper Street. The great variety and concentration of retail offerings suggests that this area was traversed by a similarly diverse clientele from many corners of the city.

Much of the physical environment that one sees today around 13th and Chestnut Streets is the product of the great commercial boom that occurred in the area east of Broad Street around the turn of the century. Years earlier, the relocation of City Hall to Center Square just two blocks away secured the south Broad Street area as the center of the commercial and industrial city for decades to come. A series of major capital investments followed in the subsequent decades. Reading Terminal, the central depot of the Reading Railroad, was completed in 1893 at 12th and Market Streets, guaranteeing a steady stream of daily visitors to the shopping district that surrounded it. In addition, the enlargement of Wanamaker's Department store in 1912 played a major role in the commercial prominence of the area. The behemoth store occupied an entire city block just east of City Hall.⁶

At the same time, many smaller stores on Chestnut Street were expanding beyond their increasingly inadequate mid-nineteenth century facilities (Figure 4). By 1895, many of the smaller-scale residential properties along Chestnut Street had been replaced by

⁶ Thomas, 38.

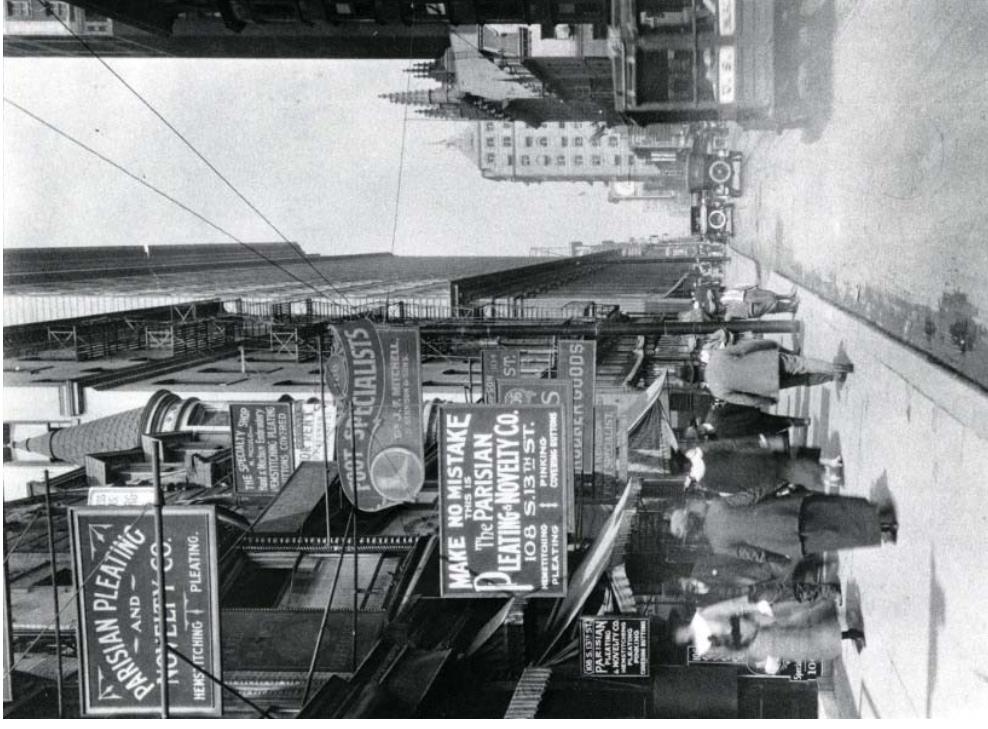
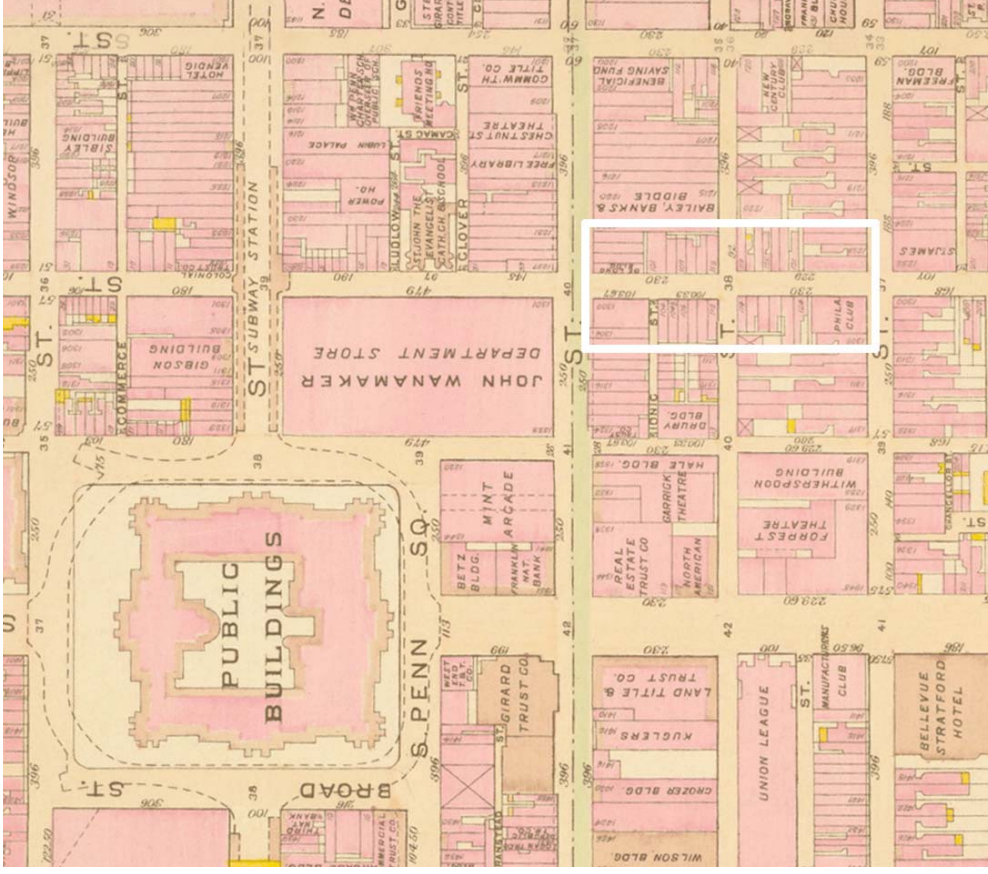


Figure 4

13th Street and context, 1910
(Bromley Atlas of the City of Philadelphia, 1910)
Athenæum of Philadelphia

Figure 5

Businesses on S. 13th Street, ca. 1910
Temple University Archives

wider and taller commercial buildings, some of which also functioned as warehouses or manufacturing space. Bailey, Banks & Biddle jewelers, for example, had a large presence at 1218-22 Chestnut Street in a 10-story neoclassical building constructed in 1903. In addition, the famous Stetson Hat Company established its retail headquarters just next door at 1224 Chestnut. The location of such nationally prominent retailers on Chestnut Street east of Broad further speaks to the area's prominence as Philadelphia's commercial center.⁷

Retail expansion also occurred to some extent on 13th Street south of Chestnut. Mid-nineteenth century rowhouses had been replaced by more up to date commercial buildings, many with storefronts on the ground floor and living spaces above (Figure 5). This process of updating, altering, and reconstruction was continuous through the mid-twentieth century, with the construction of several art deco limestone storefronts in 1930 (107-115 S. 13th Street) and the alteration of four nineteenth-century rowhouses into the modernist Cayuga Federal Savings and Loan bank in 1960 (121-127 S 13th Street). By the 1960s, what had been produced was an urban environment of excellent variety in style, scale, and building material. Ironically, by the time that 13th Street had achieved the physical form that it largely retains today, it had already begun a decline.

Downtown Decline: 1950-1980

Photographs taken by several city agencies in the late 1950s depict a healthy commercial environment of small businesses on 13th Street, if not a thriving one (Figures 6

⁷ As seen in the G.W. Bromley property atlases of 1895 and 1910.



Figure 6 13th Street, looking south from Chestnut Street in 1959
Philadelphia Department of Records



Figure 7 107-115 S. 13th Street in 1959
Philadelphia Department of Records



Figure 8 114-124 S. 13th Street in 1965
Philadelphia Historical Commission



Figure 9 121-127 S. 13th St in 1965
Philadelphia Historical Commission

and 7). Fur stores seem to have been popular – there were at least four on the 100 block of 13th Street alone in 1959. There was also a shoe store, and Robin’s Books, which remained in its original location as late as 2009. Small restaurants and bars were also common, some advertising “shore dinners” and trying to lure customers in with the promise of cocktails. Only a few years later, however, in 1965, the beginnings of decline were already visible. As seen in a set of photographs taken by the Philadelphia Historical Commission that year, the area in some places had already begun to look worn (Figures 8 and 9). Although there were still plenty of operating businesses, there were also a number of vacant storefronts. “For Rent” signs were common.

The story of decline on 13th Street is a complex one. There is not one reason why the corridor deteriorated so greatly through the 1990s, but rather a series of events and phenomena that gradually ate away at this once healthy commercial environment east of Broad Street. The shifting economic landscape of Philadelphia and all American cities after World War II had a major impact on downtown’s ability to compete with brand new shopping centers in the suburbs. Beginning in the 1950s, depopulation and deindustrialization began to decimate the residential and commercial life of downtown, creating an image of cities as dangerous and dirty places. Many of the solutions that were supposed to fix the problem – increased access by way of massive highways and large scale demolition and urban renewal projects – ultimately made the problem worse. Philadelphia’s central business district from the 1950s through the 1980s was typical of these trends, and can boast its fair share of failed urban renewal projects.⁸

⁸ Joseph F. Clark and Dennis J. Clark, “Rally and Relapse,” in *Philadelphia: A 300-Year History*, ed. Russell F. Weigley et al. (New York: W.W. Norton, 1982): 649-650.

First, with the construction of the Penn Center office complex west of city hall beginning in the 1950s, Philadelphia's commercial center shifted away from Broad Street. Although retail continued to have a strong presence east of Broad Street, there was no longer a concentration of office workers in the area to sustain the same level of quality shopping.⁹ And, because there were very few people living in the two blocks south of Market Street, there was very little left to keep Chestnut Street alive. Thirteenth Street in particular could rely only on the remaining concentration of retail along Chestnut Street, which was becoming more and more anemic every year, and the anchor that was Wanamaker's Department Store.¹⁰

In an attempt to override this trend and increase the attractiveness of Philadelphia's downtown as a shopping destination, the Rouse Company, a pioneering shopping mall developer, built the Gallery shopping mall at 9th and Market Streets in the late 1970s. Rouse hoped to lure customers in from the suburbs, particularly those who would use the new Center City Commuter Connection, a passenger rail tunnel that connected Reading Terminal with 30th Street Station. With this massive capital investment, it would be far easier for visitors from west Philadelphia and the western suburbs to reach the shopping attractions of Market and Chestnut Streets. In a way, this created a whole new market for retail east of Broad Street, and initially the mall was very successful. In time, however, many realized that this agglomeration of inward-facing retail was drawing people away from the street and contributing to decline elsewhere, even if it was a huge success itself.¹¹

⁹ Clark and Clark, 701.

¹⁰ Thomas, 13.

¹¹ Stephanie Wolf, "The Bicentennial City, 1968-1982," in *Philadelphia: A 300-Year History*, ed. Russell F. Weigley et al. (New York: W.W. Norton, 1982): 714-715.

Commercial deterioration on 13th Street was further exacerbated by the Chestnut Street Transitway, a misguided urban design project that removed vehicular traffic from Chestnut Street, transforming it into a pedestrian mall between 6th and 18th Streets. Originally part of Edmund Bacon's vision to provide a strong pedestrian connection to the 1976 Bicentennial Exposition, the transitway received fierce opposition from business owners when first proposed in the early 1960s. Automobiles were one of the main means of transportation for shoppers in Center City, and proprietors believed that removing them would mean the death of their businesses. They eventually won out, and the project was put on hold indefinitely.¹²

By the early 1970s, however, many more workers were commuting to Center City by train rather than driving. In part, the fuel crisis meant a rise in public transit ridership and business owners on Chestnut Street feel that the transitway's emphasis on pedestrian traffic might be a good solution after all. With renewed support, the transitway was again on the drawing boards and was eventually completed by June 1976, just in time for the Bicentennial celebrations as originally planned. The transitway project widened sidewalks in most parts of Chestnut Street to twenty feet on each side, leaving a twenty foot roadway in the center to be used only by buses. Streetscape improvements, such as new lighting, plantings, and seating, sought to create a more vibrant pedestrian experience during the day and at night. Planners hoped that the new pedestrian mall would thrive as a retail and entertainment corridor reminiscent of street life in Paris.¹³

¹² Wolf, 714.

¹³ Harvey M. Rubenstein, *Pedestrian Malls, Streetscapes, and Urban Spaces*, (New York: Wiley, 1992): 205-206.

While many agree that the transitway increased pedestrian traffic during the day, it was clear that it had failed to draw the type of users that could sustain a healthy retail or entertainment environment. Although the urban design strategy of the transitway cannot be fully blamed for this trend – disinvestment and job loss in the downtown continued to play a major role – it only exacerbated decline on Chestnut Street and elsewhere in east Center City. Only twelve years after its completion, in 1988, the Philadelphia City Planning Commission’s new “Plan for Center City” called for a revitalized Chestnut Street Transitway. Stopping short of acknowledging the deteriorating quality of retail on Chestnut, the plan stated that the large buses operating on the narrow street were intimidating to the pedestrians on either side. The plan called only for smaller, specially-designed buses that would be more conducive to a pleasurable pedestrian experience. Although the pedestrian mall was intended to breath new life into the shopping district, it was obvious by the 1980s that the quality of establishments had declined greatly.¹⁴

Repair and Renewal: 1980-2000

The 1988 Plan for Center City was not only a reaction to commercial decline in the downtown, but a plan for growth. Many of the proposals outlined were made with the expectation that the new Pennsylvania Convention Center would bring a large number of daily visitors to the Market Street East neighborhood. The Convention Center was viewed as a potential catalyst for commercial and entertainment development in Center City east of Broad Street. With thousands of new overnight visitors per week would come new hotels,

¹⁴ Philadelphia City Planning Commission, “The Plan for Center City,” 106.

restaurants, and other entertainment venues. The “Off Broad East” area in particular – Chestnut, Sansom, Walnut, and Locust Streets from Broad Street to 9th Street – was targeted for development because of its vast inventory of historic buildings and pedestrian friendly streetscape. This sort of fabric lent itself well to cost-effective redevelopment and the creation, or re-creation, of an authentic, walkable urban neighborhood. The plan expected that smaller businesses and venues – theaters, nightclubs, restaurants, and galleries – would complement or provide an alternative to larger establishments like the Gallery shopping mall, the Academy of Music, and other entertainment venues on Broad Street.¹⁵

While the planned Convention Center did spur limited investment in the Off Broad East area, 13th Street south of Chestnut continued to deteriorate (Figure 10). Rife with low-rent retail, such as check cashing businesses and pornography outlets, the area apparently could not escape commercial decline. The prevalence of prostitution and drug-related crime also perpetuated the gritty, unsafe image that 13th Street had acquired over the previous two decades. A Philadelphia Inquirer report in 1981 called 13th Street a “walk on the wild side” because of the prostitution that “attracted nightly throngs of gawkers, rowdy teenagers and unsavory types who prey on bar patrons and residents.”¹⁶

Although the Center City District, a business improvement district (BID) founded in 1990, provided daily sidewalk cleaning services and a measure of safety with community service representatives, the systemic economic problems of 13th Street could

¹⁵ Philadelphia City Planning Commission, “The Plan for Center City,” 109-110.

¹⁶ Russell Cooke, “13th Street a Walk on the Wild Side,” *Philadelphia Inquirer*, August 20, 1981.



Figure 10 Decline at 13th and Sansom Streets, ca. 2000.
Goldman Properties

not be overcome simply with the BID's strategy of "clean and safe."

By the late 1990s, well after the Convention Center was completed, the Off Broad East area centered around 13th and Sansom Streets remained, as many have called it, a "hole in the doughnut." Surrounded on the west by the Avenue of the Arts, on the north by Convention Center activity, and on the east by the tourism-focused historic area, 13th Street and the surrounding blocks were an island of concentrated decay in a downtown that was experiencing a revival of pedestrian activity and capital investment.

The sustained decay of 13th Street and the Off Broad East area through the 1990s was not the result of lack of concern about the area's economic health. With the realization that something had to be done to secure the area's future due to its strategic location and

high-quality, pedestrian friendly historic fabric, the City Planning Commission published “A Renewal Agenda for Off Broad East” in 1996. Apart from promoting the area’s geographic advantages within an increasingly vibrant downtown, the plan argued that low real estate values created a unique opportunity to begin a program of rehabilitation and adaptive reuse. According to the plan, one of the primary elements of a renewed Off Broad East would be redevelopment of the area’s vast inventory of historic buildings, which “hold a special, marketable attraction for visitors, general shoppers, and new residents alike.” Therefore, the plan was also about recreating a livable neighborhood within existing fabric rather than simply redeveloping Off Broad East as an exclusively commercial or entertainment attraction.

As the two Planning Commission studies demonstrated, Off Broad East presented a prime opportunity for cost-effective redevelopment, especially in the late 1990s. However, what prevented Off Broad East from experiencing the same kind of revival that was going on around it was the large number of individual property owners in the area. The 1996 Renewal Agenda acknowledged that it would be difficult to achieve sufficient cooperation among the area’s many property and business owners to make successful redevelopment a reality. Property speculation, particularly on 13th Street, was a major obstacle.¹⁷ Several large-scale property owners had no interest in seeing the area improve. The strategy of so-called slum lords like Samuel Rappaport, who himself owned dozens of properties in the Off Broad East area, was to wait until they felt they could receive the greatest return on their investment as possible, while doing the bare minimum to

¹⁷ Philadelphia City Planning Commission, “A Renewal Agenda for Off Broad East,” 8.

maintain those properties.¹⁸ Meanwhile, their properties continued to deteriorate.

In an effort to confront these issues of cooperation and organization among owners and occupants within Off Broad East, the 1996 plan recommended the creation of an “Off Broad East Redevelopment Program.” The program, managed by the Redevelopment Authority, would provide façade improvement grants, discounted design services, and advice on overcoming building code issues that made residential conversions difficult.

Although Off Broad East lay within the Market Street East Urban Renewal Area and qualified for certain redevelopment considerations made possible through the Philadelphia Redevelopment Authority (RDA), the city was unable to make a commitment to the area...why? (did they think private investment would eventually happen?) With a realization that there was little to no public assistance available for redevelopment, and understanding the imperative to redevelop the 13th Street area, several city organizations, including the Center City District and the Preservation Alliance for Greater Philadelphia, took it upon themselves to spur interest in private investment in the area.¹⁹

First, in 1996, the Center City District published a study entitled “Turning on the Lights Upstairs: A Guide for Converting the Upper Floors of Older Commercial Buildings to Residential Use.” The study posited that the main issue behind deterioration east of Broad Street was the lack of people living there, caused in part by building codes that made it difficult to transform these properties. In 1990 United States Census, the population

¹⁸ Jane M. Von Bergen, “New York Developer Sees Urban Rehab in Philadelphia’s Future,” *Philadelphia Inquirer*, January 25, 1999.

¹⁹ Preservation Alliance for Greater Philadelphia, “A Review of and Proposal for Tax Increment Financing in Philadelphia: The Opportunity to Revitalize Off Broad East.” (Philadelphia: Preservation Alliance, 1998): 25.

of Philadelphia census tract 6, which covered the area between Chestnut and Walnut Streets from Broad to 7th Street, was only 349.²⁰ There may have been pedestrian life during the day, but the area essentially shut down after 5 PM because mostly everybody who worked there lived somewhere else. The kind of street activity that extended into the evening was missing, creating an environment conducive to the crime and prostitution so common in the blocks east of Broad Street.²¹

Realizing that there were many vacant commercial buildings of high architectural quality in the area, the Center City District (CCD) commissioned Cecil Baker & Associates architects to study adaptive reuse of these buildings into apartments and lofts in their upper stories. The firm focused on ten late-nineteenth to early twentieth century midrise commercial buildings, three of which were located on 13th Street between Chestnut and Walnut. By revealing the strong potential of vacant but attractive commercial buildings to house an increasing residential population (by 2000, the population of census tract 6 had increased 277% to 1,315 residents), the Center City District hoped to spur private investment in the area.²² The study was important because it was one of the first to create a real strategy for redevelopment based on the principles set forth in the 1988 Plan for Center City, and the Renewal Agenda for Off Broad East that was released the same year.

The CCD study was incredibly valuable in promoting the economic opportunities of Off Broad East, and making people realize that downtown might actually be a nice place

²⁰ U.S. *Census of Population and Housing, 1990: Summary Population and Housing Characteristics: Pennsylvania*. Washington: Government Printing Office, 1991.

²¹ Center City District, "Turning on the Lights Upstairs: A Guide to Converting the Upper Floors of Older Commercial Buildings to Residential Use," (Philadelphia: Center City District, 1996): 1-2.

²² U.S. *Census of Population and Housing, 2000: Summary Population and Housing Characteristics: Pennsylvania*. Washington: Government Printing Office, 2001.

to live. Ultimately, however, the study was limited in its approach. Beyond suggesting that the city provide low-interest financing or expand property tax abatements to make rehabilitations more feasible, the study did not provide a framework by which property owners could organize to create the large-scale change that was necessary to see a revived district. The CCD did, however, engage Cecil Baker & Associates architects and developer Eugene LeFevre to act as a development consultant team, providing technical assistance to potential investors. The team's goal was to make rehabilitation projects as easy as possible for property owners or developers by conducting code reviews, preparing project pro formas, and identifying financing sources. There was, however, no financial incentive or regulatory mechanism proposed that might make the widespread implementation of residential reuse projects possible.²³

With a more focused view toward implementation, the Preservation Alliance for Greater Philadelphia published its own proposal for revitalization two years later, in 1998. The Alliance's plan was for a tax-increment financing (TIF) district along 13th Street and several surrounding blocks (Figure 11). Tax increment financing is a device by which the expected increase in tax revenue generated by a project would be provided to the developer by the city. Many times a TIF district is created in an area that would otherwise not attract private investment. Understanding the imperative to redevelop the area, and also the lack of public funding available to do so, the proposal for the Off Broad East TIF district was an attempt to create a tax incentive for business owners and small developers. The plan went beyond the Center City District's study because it was the first to provide a

²³ Center City District, Appendix B, 2.

Figure 11 TIF District Scenarios from “A Review of and Proposal for Tax-Increment Financing in Philadelphia,” Published by the Preservation Alliance in 1998



framework for redevelopment that had the capacity to organize a large number of individual property owners and investors. Beyond providing a financial incentive, the TIF district would address such issues as façade upgrades and integration, public infrastructure modernization, marketing and business recruitment programs, and provide a coalition liaison to coordinate such improvements with various city departments.²⁴

The TIF district was essentially a public-private partnership. This was essential for both parties; developers preferred to see that the city was somehow committed to redevelopment, and the city wanted to see the area redeveloped without making a significant outright contribution of capital. While the Preservation Alliance may have had the capacity to see the plan through to its required approval by the City Council, it ultimately lacked the ability to make an investment large enough to lure other developers that were so crucial to long-term and large-scale revitalization.

The Preservation Alliance, a fairly new organization that had been founded in 1996, took an unusual approach toward preservation advocacy in its early years. Instead of a reactionary strategy that might have included protesting demolitions, filing lawsuits, and compiling petitions – the type of advocacy that had always been associated with historic preservation – the Alliance viewed the protection of historic buildings in Philadelphia as an entrepreneurial project. Supported generously by local philanthropic organizations (which ones?) in the late 1990s, the Alliance acted as a sort of developer, buying up historic properties, renovating them, and finally selling them to make a profit. Real estate was at the center of the organization’s mission.

²⁴ Preservation Alliance for Greater Philadelphia, 23-25.

By 1998, the Preservation Alliance sought to make more significant investments and increase its presence as a developer not just of single historic properties but entire neighborhoods. Like the City Planning Commission and the Center City District, the Alliance saw a prime opportunity for redevelopment on 13th Street and the surrounding blocks. Their interest was not based merely on potential economic success, but also the desire to recreate a real historic place, an urban environment of great vitality based on its pedestrian friendly scale and incredible architectural quality and variety. This type of neighborhood was exactly what so called New Urbanists were trying to create from scratch, but this was the real thing.

Although the Preservation Alliance was ultimately unable to devote the time or financial resources necessary to see the TIF district through, Don Meginley, Executive Director at the time, was undeterred. Meginley, who eventually resigned as Director after several board members raised objections to the Alliance's increased development scope, had for several years been working for New York developer Tony Goldman while at the Alliance. Goldman, a preservation minded real estate developer, was largely responsible for remaking the SoHo district of Manhattan in the 1970s and Miami Beach in the 1980s. Able to lure Goldman to Philadelphia, Meginley toured him through the Off Broad East area in an attempt to spur his interest in investing. Goldman was immediately taken; the district had exactly the type and extent of fabric that lent itself to his strategy for remaking urban places. In addition, property values in the area had dropped so low that redevelopment seemed entirely feasible.

Up to this point, it was never only about 13th Street in the various plans for

redevelopment. Neither the CCD adaptive reuse study nor the Preservation Alliance's TIF proposal privileged 13th Street specifically in their respective plans for revitalization, but larger areas that in some cases extend entirely to 7th Street. A district of this size was far too large for a single investor to tackle. Instead, Goldman focused his efforts on a smaller area centered around 13th and Sansom Streets and extending about one block in every direction. 13th Street itself would be the focus of Goldman's future plans because of its ground level retail spaces and great architectural variety. Its strategic location close to Broad Street, the Convention Center, and Reading Terminal was also very important because it provided Goldman with an opportunity to acquire a critical mass of properties in close proximity to established centers of pedestrian activity.

Chapter 3

From Main Street to 13th Street

Many studies have shown that over the past few decades the social and economic landscape of downtowns in large American cities has changed dramatically, and Philadelphia is no exception. Eugenie Birch points to Center City Philadelphia in particular as a downtown representative of the demographic shifts that have transformed cities across the country. Downtowners here are “white (75 percent of the total), young (almost half are under 35 years old), in single-person households (60 percent are single person and only 7 percent are in families with young children) and well-educated (68 percent have a graduate and professional degrees.”²⁵ In addition, more of these downtown residents work within walking distance of their homes. According to a recent report from the Center City District, 55% of residents who work downtown walk to work, the highest percentage of any downtown in the country.²⁶

This sector of the population thrives in the new cultural and entertainment milieu of the downtown environment. According to Birch, downtown residents not only work

²⁵ Eugenie Birch, “Changing Place in the New Downton,” in *New Downtowns: The Future of Urban Centers*, ed. Jonathan D. Oakman (Princeton: Trustees of Princeton University, 2006): 55.

²⁶ Center City District, “State of Center City 2010”, (Philadelphia: Center City District, 2010): 1-3.

there, but play there too. “Mixed-use,” Birch writes, “that is the combination of living, working, and playing, defines the new downtown. Office buildings; civic structures including courts, jails, and city halls; entertainment venues; unique cultural assets; university and health facilities mesh with housing.” This is exactly the trend, which took hold beginning in the 1990s, that Goldman hoped to capitalize on. The physical environment of 13th Street provided an appropriate setting for him to do so. The profusion of small-scale storefronts and spaces, almost all of which were in rehabilitated historic buildings, allowed the creation of a niche commercial environment that the city did not already offer. 13th Street was a place where creative, locally-owned small businesses would be able to thrive.

Much of the revitalization that has happened in downtowns across the country over the past two decades can be attributed to successful adaptive reuse and rehabilitation of historic buildings. Indeed, Richard Wagner wrote that historic preservationists could play a substantial role in making sure that central business district revitalization happened in the 1990s. Preservationists could have success in urban downtowns, Wagner believed, with their “concern for contextual design; their growing understanding of how to harness regulatory mechanisms such as zoning, design review, and financing; and their successful track record in incremental revitalization in towns and small cities.”²⁷ Although 13th Street was not by definition a historic preservation project, it was executed by a preservation-minded developer who realized the essential role of the corridor’s existing historic fabric in its reinvigoration as a vibrant urban space. Like Goldman’s earlier work in SoHo and

²⁷ Richard D. Wagner, “Urban Downtown Revitalization and Historic Preservation,” *Forum Journal* 7:5 (1993), 58.

Miami Beach, rehabilitation rather than new construction was key to attracting the type of businesses and clientele – young, creative, independent – that were playing such an important role in the revival of downtowns in cities across the country.

Despite Wagner's prodding of preservationists to become more involved in downtown revitalization, it was becoming increasingly difficult to manage the financial terrain of such projects during this era. During the late 1980s and 1990s, federal funding for cities declined as local revenue dropped and deficits grew. Getting a large capital project completed in any major American city posed some serious challenges. According to Wagner, however, two successful strategies for downtown revitalization in large urban centers emerged during this time, neither of which had to rely on significant federal or state funding. Both privileged historic preservation in their approach, the assumption being that the rehabilitation of historic fabric was key to both the economic success of downtown as well as its functionality as a healthy urban space.

The first was called the catalyst strategy and relied on a single large development – typically a rehabilitation of a major historic building – within a downtown that was meant to spur additional projects and investment. On the other hand, the second, the incremental strategy, relied on “a series of small, interdependent projects being implemented within a particular district rather than a single large development.” The latter often included such services and activities as street cleaning, public safety programs, and marketing and promotional campaigns.²⁸ The incremental strategy, unlike the catalyst strategy, was geared more toward full urban redevelopment. It carefully considered all actions –

²⁸ Wagner, 56-57.

including physical, economic, and social – required to successfully turn around a failing downtown area.

Goldman's project on 13th Street was typical of neither approach exclusively, but was rather a combination of the two. Although, unlike the catalyst strategy, the 13th Street project was not based on a single rehabilitation or adaptive reuse project, it conformed to Wagner's definition because it was controlled by a single entity and was concentrated in a small area. In addition, despite consisting of many small, individual properties, they were all rehabilitated within a relatively short period of time. At the same time, the project embodied many of the ideas of the incremental approach because the developer made a long-term commitment to developing a business community and brand that he knew would take years to crystallize into a mature form. Rather than leasing space to a few large, national retailers, Goldman instead focused on building a niche retail environment of independent shop owners and restaurants that fit the scale of the storefronts that already existed on 13th Street.

Tony Goldman therefore approached the 13th Street project not with an expectation that he would reap any short-term profit, but with a keen understanding of the long-term strategy required to successfully redevelop a derelict commercial corridor within a major urban downtown. Not every developer is suited to undertake large-scale and long-term projects like that on 13th Street. Few have the ability or desire to take responsibility not simply for rehabilitating a building and renting out space, but also for ensuring that a building's larger urban context succeeds through economic development, design, and careful management of its business environment. However, Goldman's strategy, having

many features in common with the long-established Main Street Program, ensured that 13th Street became reintegrated into the urban fabric and economic life of downtown Philadelphia through a comprehensive consideration of its needs.

For decades the National Trust for Historic Preservation's Main Street Program has served as a framework for the revitalization of historic downtowns in towns and small cities across the country. First tested in the Midwest in 1977 and officially implemented in 1980, the Main Street Program was in part a response to suburban sprawl – the shift of retail sales to shopping malls was a particular issue – that drained the life out of commercial downtowns in towns and small cities across the country. For decades the automobile had provided ease of transport away from “crowded” downtown areas to gleaming new strip malls and shopping centers. This trend of decentralization, both of living and shopping, hit commercial downtowns hard, and one by one small businesses began to leave the communities they had served for so long. The Main Street Program was intended to fix all of this – to make people understand that downtown was an essential part of their community, and that it could be successfully revitalized as a commercial district for residents and visitors alike.²⁹

The Main Street Program is based on a community-driven approach to downtown revitalization through physical rehabilitation and economic restructuring. A typical Main Street project relies in its early stages on strong interest within a business community or local government to improve the physical and commercial environments of the downtown.

²⁹ Kennedy Lawson Smith, “Main Street at 15,” *Forum Journal* 9:2 (1995), 50.

Once the interested group has organized and formed a non-profit entity to manage and fund the revitalization process, they then turn to the Main Street Four-Point Approach, which consists of 1) organization 2) promotion, 3) design, and 4) economic restructuring.

Kennedy Lawson Smith has summarized the Four-Point Approach as follows:

Organization: Building collaborative partnerships among a broad range of public- and private-sector organizations, agencies, businesses and individuals; mobilizing volunteer involvement in the revitalization program.

Promotion: Marketing the downtown's assets to residents, visitors, investors and others.

Design: Improving the downtown's physical environment – rehabilitating historic buildings, building architecturally sensitive new buildings, and ensuring that streets, sidewalks, signs, lighting and other elements function well and support the overall design of the commercial district.

Economic Restructuring: Strengthening the downtown's existing economic base while gradually expanding it; ensuring that real estate and commercial development take place in tandem.³⁰

Although the Main Street program has been used principally in towns and small cities, it has also been applied to larger urban settings with various degrees of success. Karl Seidman, one of the key proponents of so called Urban Main Street programs, writes that commercial districts in large cities have suffered from disinvestment and physical deterioration caused by many of the same problems that plagued smaller communities from the 1950s through the 1980s. This makes commercial centers in large cities well suited, Seidman believes, to the Main Street approach.

There are many differences between the implementation process of Main Street in a small town and large city, however. Seidman warns that vastly different demographic,

³⁰ Kennedy Lawson Smith, 50-51.

political, and social environments in large cities require the Main Street Program to be adapted to commercial centers that are only a small part of a larger urban fabric, not the sole downtown of a smaller community. In a large city like Philadelphia, for example, city leaders might not be as interested in the redevelopment of a commercial corridor like 13th Street because it represents such a small part of the city's economy and physical fabric. Mayors and other leaders of smaller towns and cities, however, often must rely on downtown as the main engine of their economy. This presents one of the most challenging differences between traditional Main Street projects and their urban counterparts.³¹

On the other hand, commercial districts in large cities like Philadelphia have access to much larger and diverse markets than those in smaller communities. Unlike a town or small city, places like Philadelphia have many retail centers and commercial corridors that allow opportunities for specialization.

It is important to note that the 13th Street project is not part of the Main Street program, nor did Goldman strictly adhere to the program's Four-Point Approach in the development process. Quoted in a Philadelphia Inquirer report in 2002 Goldman himself said that "This is not an exact science. . . . Our team can make changes at the line of scrimmage."³² For instance, much of the Organization portion could be disregarded because Goldman was not dealing with an existing community. Organization was largely consolidated within Goldman Properties itself. What is important to note, however, is that Goldman went beyond merely rehabilitating buildings. His approach, like Main Street's,

³¹ Karl Seidman, *Revitalizing Commerce for American Cities: A Practitioner's Guide to Urban Main Street Programs* (Washington, D.C.: Fannie Mae Foundation, 2004): 5-6.

³² Henry J. Holcomb, "Restaurant Heralds 13th Street Renewal," *Philadelphia Inquirer*, February 26, 2002.

was a comprehensive one that considered all aspects of a true revitalization project, including building strong relationships with local government, creating a unique branding and promotional scheme, and carefully managing the development of a healthy, locally-owned small business community.

To demonstrate how a developer like Tony Goldman can successfully take a Main Street-like approach to urban commercial revitalization, an argument largely in support of Goldman's strategy will be structured below using the Four-Point Approach. The following pages argue that with a comprehensive strategy that includes organization, promotion, design, and economic restructuring, a historic commercial corridor in a major city can be revitalized as effectively as a downtown within a smaller community, albeit adapted to the unique political, economic, and design contexts of a large urban environment.

Organization

In a typical Main Street project, the organization stage, as described above, focuses on building relationships and forming a coalition of interests that includes business owners, government officials, and local residents. While the development of 13th Street differed in that organization and interest for redevelopment was largely consolidated within a single entity, Goldman Properties, making sure that other public- and private-sector leaders were involved was key to the project's success both economically and in terms of the developer's ability to change perceptions

Many urban and economic development experts have stressed the important role that public-private partnerships must play in downtown revitalization in an era of

declining federal and state funding for urban projects. In fact, in her list of the top ten initiatives for downtown revitalization, Delores Palma places the formation of public-private partnerships at the very top.³³ City governments often are unable to make a strong financial contribution to urban redevelopment projects, but developers like to see some level of commitment from city leaders before making a significant investment themselves. Public-private partnerships are one way to overcome this challenge.

In their study of developer-driven urban Main Street redevelopment projects, Amanda Strong and Alexandra Stroud demonstrate the importance of relationships between the developer, community groups, and city officials. Their case studies focused on Harlem USA in New York City and Mizner Park in Boca Raton, Florida, two areas where communication with residents was key because the projects would impact neighborhoods where people actually lived. “Although a private developer is driving the process in both case studies,” they write, “in these and many other urban revitalization case studies private developers work closely with community groups and city officials to draw up plans for the development.”³⁴ Although the 13th Street project differed in that it had would have little effect on a residential community – very few people lived on or near 13th Street in the late 1990s – such partnerships were still important to the revitalization process. In the case of 13th Street, however, it was more appropriate for a private-sector developer to take the leading role.

³³ Delores Palma, “Downtown Revitalization,” in *Main Street Renewal: A Guide for Citizens and Public Officials*, ed. Roger Kemp (North Carolina: MacFarland, 2006): 158-159.

³⁴ Amanda D. Strong and Alexandra J. Stroud, “Urban Main Street Redevelopment: A Comparison of the Developer-Driven and Community-Driven Approach,” (MS Thesis, Massachusetts Institute of Technology, 2002): 15.

In fact, in his “Turning Around Downtown: 12 Steps to Revitalization,” urbanist Christopher Leinberger stresses the private role, calling the relationship a private/public partnership instead. He writes, “The public sector, usually led by the mayor or some other public official, may convene the strategy process but it must quickly be led by the private entities whose time and money will ultimately determine the effort’s success.”³⁵ This was certainly the case in the way that both the City of Philadelphia and Goldman approached the redevelopment of 13th Street. City leaders and the Planning Commission not only made it clear that revitalization of 13th Street and Off Broad East was a priority to improve the image and secure the future of Center City, but also noted that without a budget that would allow significant public investment, they had to wait until a private entity came along.

A partnership between Goldman and the City through tax-increment financing (TIF), an important strategic tool in the Preservation Alliance’s 1996 plan for Off Broad East, described above, was viewed as one way to approach the revitalization of derelict 13th Street. TIF is a mechanism that provides financing to a developer or a collection of property owners in deteriorating urban areas to spur redevelopment. TIF money often fills a gap in financing to rehabilitate aging historic fabric on a large scale, and often spurs investment in an area that would otherwise continue to decline. In addition, TIF provides an opportunity for city governments to make a visible commitment to redevelopment in a certain area without a significant outright contribution of capital. TIF would be a way for the City to demonstrate that it was interested in being a partner in 13th Street’s

³⁵ Christopher Leinberger, “Turning Around Downtown: 12 Steps to Revitalization,” (Washington, D.C.: Brookings Institution, 2005): 8.

redevelopment without making a significant grant to a private-sector developer. In addition, it would also provide Goldman with an interest-free source of financing that would ultimately cover about 20% of estimated construction costs.

Like the Preservation Alliance's 1996 proposal, the basis of Goldman's plan was a tax-increment financing district centered around 13th and Sansom Streets, an area that lay completely within the East Center City Commercial National Register Historic District (NR 1981). Goldman's interest in creating a TIF District originated with Don Meginley, the former Executive Director of the Preservation Alliance who had been instrumental in the creation of the 1996 proposal. Meginley had worked for Goldman while at the Alliance, and was now the managing director of Goldman's Philadelphia office, essentially overseeing the entire development process of 13th Street in its early years. He brought the TIF proposal with him and began to adapt it to a new, smaller district, the boundaries of which would be determined by the extent of his property ownership.

Another reason why TIF was so attractive to Goldman was the way that the program could be adapted as a source of upfront financing instead of an annualized payment. Generally, the TIF note that a developer is granted by the City is remitted on an annual basis as property tax revenue increases and the tax increment is collected. In some cases, however, the City will float a bond to the developer that covers all or a large amount of the TIF note up front. The bond is then repayed to the city in the form of the tax increment, with all proceeds that exceed the TIF note benefitting the City and the School District.³⁶

The district that Goldman and Meginley devised was called "13th Street Passages"

³⁶ Preservation Alliance, 12-15.

– “passages” because it acted as a connection between residential Washington Square West and the central business district – but was a much smaller area than had been proposed in any of the Preservation Alliance’s TIF scenarios from 1996 (Figure 11). The reduced size of the new TIF district created a more realistic project because it allowed the developer to assemble a critical mass of properties necessary to make an impact that a single entity could oversee. The District extended on 13th Street roughly from Chestnut Street to Walnut Street and included several properties to the east and west on Sansom Street (Figure 12). The 2+ acre district contained 19 storefront properties on 14 tax parcels with a total floor area of approximately 370,000 square feet in vacant or underutilized commercial and residential buildings. All of the properties lay within the above-mentioned Center City East Commercial National Register Historic District, making them eligible for rehabilitation tax credits. Tony Goldman would be the sole beneficiary of the TIF funds because the district he proposed consisted entirely of properties that he owned. This is typical of TIF districts in many states and cities across the country.³⁷

As explained above, tax-increment financing (TIF) is a mechanism by which certain increases in tax revenue generated by a development project can be used by the developer to finance that project over a designated period of time. While the exact details of TIF legislation vary by state, it is generally required that a TIF District be created only in blighted or deteriorating urban areas, areas that would otherwise not see private investment or increases in tax revenue. The legislation approving the 13th Street Passages Project Plan states:

³⁷ Philadelphia Industrial Development Corporation, “13th Street Passages Tax Increment Financing District Project Proposal,” 1999.



Figure 12 13th Street Passages TIF District Boundary

The area comprising the District as a whole has not been subject to adequate growth and development through investment by private enterprise and would not be reasonably be anticipated to be adequately developed or further developed without the adoption of the project plan.³⁸

According to the literature on tax-increment financing, the mechanism gained popularity in the 1970s when many urban redevelopment programs were cut from federal and state budgets. This put pressure on local municipalities to devise their own means of supporting important urban redevelopment projects that included housing, infrastructure, and major capital investments in central business districts.³⁹

Tax-increment financing is essentially a local program; in Philadelphia, a TIF project or district must be approved by the City Council. The enabling legislation that allows the use of TIF for individual projects or larger districts must come from the state, however. Pennsylvania passed its own Tax Increment Financing Act (PTIFA) or TIF Act in 1990, which authorized Philadelphia County (the City of Philadelphia and the Philadelphia School District) to create TIF districts, the first of which was created in 1996. In Philadelphia, the City pays the incremental revenues to the Philadelphia Authority for Industrial Development (PAID), which then remits the funds to the lender to repay the developer's loans. In some cases, the city floats a bond that is repaid as the expected tax increment comes in. PTIFA requires that TIF Districts adhere to certain definitions of blighted or suffering urban neighborhoods as outlined in the Pennsylvania

³⁸ Philadelphia, Pennsylvania, Municipal Code, Bill No. 990683 (1999).

³⁹ John E. Greuling, "Tax Increment Financing: A Downtown Development Tool," *Economic Development Review* 5:1 (1987), 23.

Urban Renewal Law of 1945. Goldman would have to demonstrate to the City and the Philadelphia Industrial Development Corporation that the District suffered from these conditions and that without the TIF District, private investment for redevelopment would not occur.⁴⁰

In accordance with the legislation, the Off Broad East TIF District would, over a period of twenty years, utilize certain incremental increases in the District's tax revenue to make the project financially feasible. In Philadelphia, TIF funds are sourced not only from property tax, but also from a portion of the city's use and occupancy tax, sales taxes generated by businesses located within the TIF district, and other taxes that contribute only a smaller portion of the TIF note (CHART).

According to Goldman's "13th Street Passages Tax Increment Financing District Project Plan," filed on October 14, 1999, the TIF district would assume a base year and market value of all properties from which the future tax increment would be calculated. Goldman would still have to pay property taxes on the properties he owned within the District, but only on a base market value of \$6 million. In Philadelphia, property taxes were calculated at 8.264% of assessed value prior to 2011, with assessed value being 32% of the property's market value as determined by the Board of Revision of Taxes (BRT), the city's main property taxing agency. The 13th Street Passages TIF District was ultimately approved by the City Council on December 9, 1999 and would take effect on July 1, 2000 for a period of twenty years.⁴¹

⁴⁰ Preservation Alliance, 4-6.

⁴¹ Ibid.

	1999	2020
<i>Market Value</i>	\$6 mil	\$27.3 mil
<i>Property Taxes</i>	\$157,056	\$1.17 mil
<i>Use & Occupancy Tax</i>	\$21,141	\$320,625

Figure 13 Estimated TIF District Impacts, 1999-2020

The base market value of all property within the Off Broad East TIF District was approximately \$6 million in 2000 as assessed by the Board of Revision of Taxes (BRT) that year. The Philadelphia Industrial Development Corporation (PIDC), the agency responsible for the implementation of TIF in Philadelphia, forecasted that at the end of the 20-year term, the BRT would assess the improved property within the district at \$27.3 million, bringing \$23.5 million in tax revenue (property tax and other taxes) to the City and School District over twenty years (Figure 13).⁴² Without Goldman's investment, PIDC projected, only inflation (at a rate of 2.5% annually) would increase tax revenue, bringing in \$7.5 million over twenty years. Thus the benefit was clear. With a forecasted net benefit of \$16 million in tax revenue over twenty years, Goldman's project would not

⁴² Adjusted for inflation at a rate of 2.5% annually.

only revitalize 13th Street and improve its economy, but it would also bring millions of dollars in taxes that the city would otherwise not see.⁴³

Of the total tax increment expected from the 13th Street Passages District, Goldman would receive an aggregate amount not to exceed \$8 million to fund rehabilitation and construction costs. This sum would be floated as a bond to be repaid to the City by incremental increases in tax revenue over the designated twenty year period. In accordance with TIF legislation, receiving the TIF note excluded Goldman from participating in the City of Philadelphia's property tax abatement program, itself a powerful driver of growth in Center City and surrounding districts.

In addition to tax-increment financing, Goldman also relied on other incentives to make the project feasible, the largest of which was the Federal Rehabilitation Tax Credit. Administered by the National Park Service, the rehabilitation tax credit offers a 20% credit on all construction costs to any project that has been defined as a certified rehabilitation of a certified historic structure according to guidelines established by the Secretary of the Interior. A certified historic structure generally means a building that is eligible to be or has already been listed individually on the National Register of Historic Places, or is determined as contributing to a National Register District. Eligibility for National Register listing is a preliminary determination that allows a project to proceed while the nomination process is undertaken. Ultimately, the property must be listed on the National Register to receive the tax credit. The 20% credit is offered for projects that involve rehabilitation of buildings for income-producing properties, including for

⁴³ Philadelphia Industrial Development Corporation, 2-3.

commercial and rental residential purposes. Owners who intend to use a property as their own private residence may not claim the credit. Alternatively, the 10% credit applies only to non-historic buildings – meaning buildings constructed before 1936 but determined as not historically significant – rehabilitated for non-residential use.⁴⁴

Because 13th Street (between Chestnut and Walnut) was located within a National Register Historic District – the East Center City Commercial Historic District (NR 1981) – Goldman was eligible to claim the tax credit on those properties that had been considered contributing or significant to the district. Most of the buildings within the District were built between 1890 and 1930, commercial in function, and represented a range of architectural styles from late Victorian to Art Deco. In addition, they retained much of their architectural integrity, making 13th Street and the surrounding blocks an ideal opportunity for use of the tax credit (Figure 14).

Goldman ultimately claimed the 20% credit on six properties that had total construction costs of approximately \$7.27 million, bringing his tax credit to roughly \$1.45 million, collected as these projects were given final approval by the National Park Service between 2002 and 2005. Although only six out of the 14 properties included in Goldman's TIF District were eligible for rehabilitation tax credits, several of these contained multiple storefronts, making a larger visual impact on 13th Street than this small number of projects suggests.⁴⁵

The use of the tax credit on a large scale in a downtown, therefore, can result in

⁴⁴ National Park Service, "Historic Preservation Tax Incentives" brochure, 2006.

⁴⁵ Data obtained from the Pennsylvania Historical and Museum Commission and the National Park Service.



Figure 14 Rehabilitation Tax Credit Projects within the 13th Street Passages TIF District

the rehabilitation of a complete historic environment rather than just a single building, but it may also have played a part in the financial feasibility of the project. The total tax credit that Goldman received on these six properties totaled approximately \$1.45 million. Although not a large portion of \$42 million in construction costs estimated in the TIF project plan, the credits may still have played an important role in the project's feasibility, especially in its first few years of operation. Seidman writes, "Since reusing blighted and abandoned inner-city property costs more than what market rents will support in the early stages of revitalization, grants or tax incentives are needed to overcome this funding gap."

The final piece of the financing puzzle that made the 13th Street project feasible was a grant from the city's Storefront Improvement Program. This program, established in the 1990s and administered by the Philadelphia Department of Commerce, is meant to encourage businesses and property owners within eligible commercial corridors to improve their storefronts, with the goal of making the corridor a more pedestrian friendly and economically viable place. If located within a designated eligible commercial corridor, the program offers grants covering up to 50% of eligible improvements, to a maximum of \$8,000 for a single storefront or \$12,000 for a multiple address storefront. As an eligible corridor, 13th Street benefitted greatly from the program, with over a dozen individual storefronts in the TIF District itself. Goldman ultimately secured grants through this program and other city agencies totaling approximately \$580,000.

Design

For Main Street projects and urban commercial corridor revitalization, making short-term physical improvements that can bring some immediate change in perception of a place is crucial. Making visible improvements early on is important because it can build momentum for a project that can bring in the tenants and visitors necessary to make the project economically successful. Seidman writes that “With their blighted buildings and vacant sites, inner-city commercial districts require large-scale investment early in the revitalization process to address physical decline, change negative perceptions, and reduce potential sources of crime.”⁴⁶ All of these issues were present on 13th Street, but aided by private equity and debt, tax-increment financing funds, façade improvement grants, and rehabilitation tax credits, Goldman had the resources to make relatively quick improvements to the 13th Street District.

As stated above, Goldman’s eligibility to claim the rehabilitation tax credit on many of his properties hinged on the adherence of their rehabilitation to the Secretary of the Interior’s Standards. The SOI Standards for the Treatment of Historic Properties, specifically the Standards for Rehabilitation, require a rehabilitation project to retain the building’s historic character, avoiding the removal of historic materials and distinctive features wherever possible. Retaining the original use of the building is encouraged, but placing it in a new use is generally acceptable if reuse requires only minimal changes to the building’s historic fabric. Although some might view these regulations as an impediment to development, the SOI Standards do offer some flexibility in that they often take economic

⁴⁶ Seidman, “Revitalizing Commerce,” 6.

and technical feasibility into consideration. A building owner may not be required to replace ornate stonework, for example, if it is prohibitively expensive to replicate.⁴⁷

Although adherence to the SOI Standards was required for Goldman to claim the tax credit on his properties, the regulations actually contributed to the developer's goal of recreating an authentic urban space, especially because they were applied to multiple properties in a concentrated setting. In fact, they might be viewed as almost the opposite of a limitation to how Goldman wanted 13th Street to be perceived and experienced by residents and visitors.

In addition, 13th Street did not present Goldman with any particularly complicated rehabilitation issues. The physical environment of the district, despite consisting entirely of late-nineteenth to early-twentieth century commercial buildings, was not one of extraordinary architectural design. Most of the buildings were of high material quality, represented a range of styles, and had much of their historic material intact, but none represented a truly notable, individual example of architectural design. Although on a relatively large scale, this would be a fairly straightforward rehabilitation project that would not require particularly costly restoration work.

Rehabilitation of historic buildings often does not occur on the scale that it did on 13th Street. In many cases, only a single building is involved in a tax credit project, meaning that a fully rehabilitated historic structure often stands within a district that is otherwise still suffering physically. The concentration or “critical mass” of properties that Goldman rehabilitated on 13th Street, however, resulted in an almost fully intact historic

⁴⁷ Department of Interior regulations, 36 CFR 67.

streetscape. What was special about 13th Street was the environment that these buildings created as a whole, which was a pedestrian-friendly environment of varied scale, material, color, and texture. This tableau of Victorian, Art Deco, and Modernist buildings, which ranged from two stories to a dozen or more, was fairly unique in its diversity in Center City and presented a prime opportunity to recreate the vitality of a historic commercial corridor. In addition, the inherent urban design qualities of 13th Street – sidewalks that engage the pedestrian frequently with display windows and store entrances – made the design process a relatively simple for Goldman. Much of the historic fabric that makes up the district, because it was fairly intact, already had many of the design qualities that Goldman believed would make an ideal environment for commercial revitalization.

Promotion

Design and promotion of a Main Street project, in both small communities and large cities, can usually go hand in hand. A developer can leverage physical improvements to create an image or brand that can attract businesses and visitors. One of the goals of the promotion stage of the Main Street Four-Point Approach is to “rekindle community pride and improve consumer and investor confidence in [the] commercial district.”⁴⁸ As many urban commercial revitalization projects have done, Goldman devised a promotional and marketing scheme for the 13th Street area. Originally called “13th Street Passages” in the TIF district project plan in 1999, Goldman knew that he had to come up with something catchier to begin to both change people’s perceptions about the area and lure the type of

⁴⁸ Main Street Center website < <http://www.preservationnation.org/main-street/about-main-street/the-approach/>>

creative business owners and shoppers that he was targeting.⁴⁹

With a grant of \$2000 from the Center City District in 2002 to pursue a comprehensive new branding and marketing scheme for 13th Street, Goldman hired Philadelphia marketing firm 160over90. Together with creative director Daryl Cilli, Goldman dreamed up the name B3 or “Blocks Below Broad,” referencing the numbered street grid and the fact that 13th Street, while actually east of Broad Street, was “below” because it was lower in number than the streets to the west.⁵⁰ “People think in terms of going uptown or downtown,” Goldman told reporter Tanya Barrientos in 2003. “When they’re going toward Rittenhouse Square they’re going uptown. On the other side of Broad they’re going downtown.”⁵¹ Despite the immediate confusion that the name caused among Center City residents and visitors, Goldman would stick with the B3 brand for several years to come.

B3 was not just a name, however, but a comprehensive strategy that included a series of brochures, a magazine marketing the neighborhood to potential lessees, a website meant to market properties, and even a way finding system for pedestrians (Figure 15). The campaign attempted to market 13th Street as a vibrant urban neighborhood for a modern creative class – one brochure claimed that “B3 attracts a diverse narrative of people, forward-thinking individuals drawn to the locale’s distinct energy. You feel it when you walk down 13th Street. There’s a buzz. It’s transformed, revitalized, brought to life.” In other words, 13th Street was supposed to offer “human connection” and “360° of Living.”⁵²

⁴⁹ Allison Kelsey, interview by Kevin McMahon, March 15, 2011.

⁵⁰ James McManaman, interview by Kevin McMahon, March 28, 2011.

⁵¹ Tanya Barrientos, “Name a Neighborhood B3?,” *Philadelphia Inquirer*, March 29, 2003.

⁵² 160over90 brochure for B3, 2003.

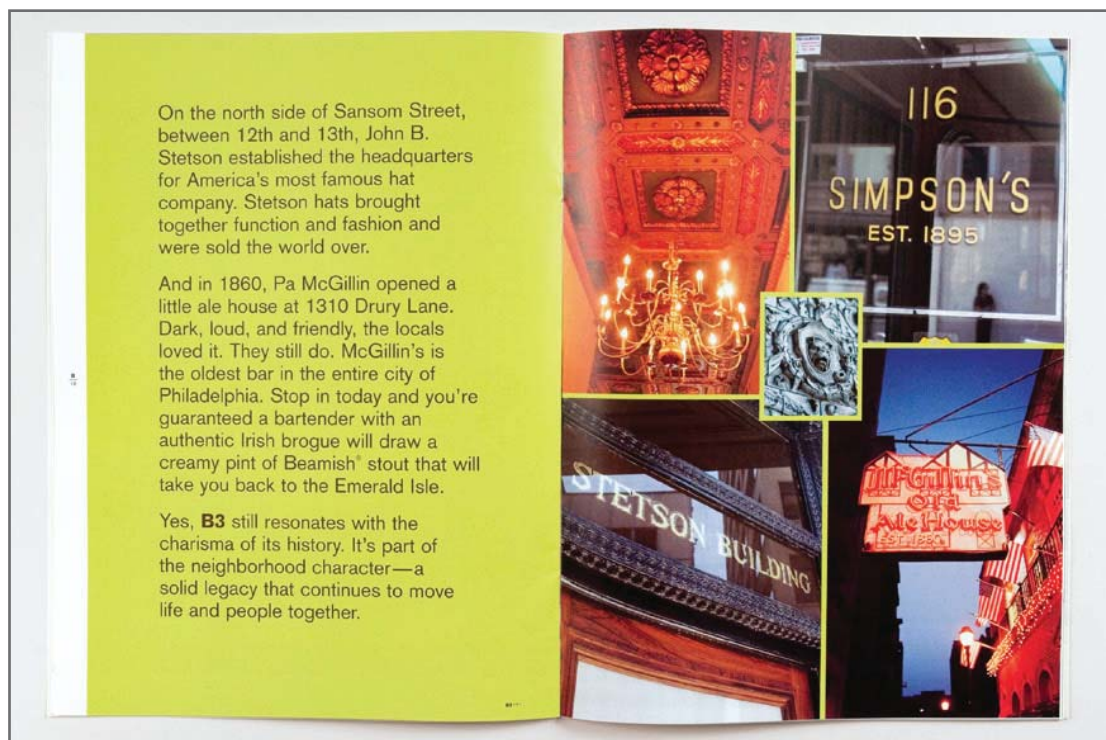


Figure 15 B3 (Blocks Below Broad) Marketing Magazine, 2002
160over90

Goldman and Cilli hoped this type of idealistic language would capture the imagination of the younger, more affluent population that had been growing in Center City for several years.

Marketing materials also stressed the area's history and roots at every opportunity. Noting the former headquarters of the Stetson Hat Company on Sansom Street, "America's most famous hat company," and McGillin's Ale House on Drury Street, "the oldest bar in the entire city of Philadelphia," one of 160over90's B3 brochures strongly linked the present of 13th Street to its past. "Yes," the brochure states idealistically, "B3 still resonates with the charisma of its history. It's part of the neighborhood character – a solid legacy that continues to move life and people together."⁵³

Going far beyond an effort to simply lease commercial space, it was clear that Goldman's idea was to develop an image of 13th Street as an authentic downtown neighborhood. Although Goldman was essentially creating a brand, he wanted it to feel non-branded.⁵⁴ "We actually went through a very scientific approach to the essence of branding, looking for the soul of the community," Goldman said in a 2004 interview, "You have to dig into the roots of what was there under the ground, and we went through a real search."⁵⁵ Goldman wanted people to think of it as a place that had grown up gradually over time rather than as a brand new, artificial attraction; and as a neighborhood where people could live and not just visit. Goldman and Cilli realized, as urban designer Tim Love writes, that "[they] were not simply selling space but an emergent neighborhood."⁵⁶

⁵³ 160over90 brochure for B3, 2003.

⁵⁴ Daniel Brook, "13th Street Trust Fund," *Philadelphia City Paper*, March 21, 2002.

⁵⁵ Tony Goldman, interview by Seth A. Brown, in *Next American City* (July 2004).

⁵⁶ Tim Love, "Urban Design After Battery Park City: Opportunities for Variety and Vitality in Large-Scale

The image that many of these marketing materials evoked – one of a livable historic neighborhood that had adapted effortlessly to modern life – may have been on key, but early doubt about the B3 or “Blocks Below Broad” name remained throughout the duration of the promotional campaign. Apart from the flawed logic of Goldman’s argument that 13th Street was below anything, the name failed to conjure any sense of what the neighborhood was or could be physically, socially, or culturally. Goldman himself said that the “[the brand] provoked the question, “What is B3?”, which created an opportunity to converse.”⁵⁷ he wanted In a revitalization process that in many other respects was incremental and long-term, the implementation of the B3 name seemed forced and artificial to many.⁵⁸ Although the branding scheme would eventually be changed, by the developing business community on 13th Street rather than Goldman Properties, B3 remained the official brand until 2006.

Economic Restructuring

As defined above, economic restructuring means “strengthening the downtown’s existing economic base while gradually expanding it.” This essential part of the revitalization process assumes that whatever type of commercial activity currently exists in the downtown has failed to create an economy strong enough to support a healthy local business community, the maintenance of historic buildings, or a positive image of the place. One of the goals of a successful commercial corridor revitalization project,

Urban Real Estate Development,” in *Harvard Design Magazine* 25 (2006): 68.

⁵⁷ Tony Goldman, 2004.

⁵⁸ Barrientos, 2003.

therefore, is to create the type of business environment that is able to support the above activities and make the area a vibrant commercial center in a functioning downtown rather than a center for deterioration and crime.

Economic restructuring, therefore, would play a major role in Goldman's redevelopment of 13th Street. Although Goldman's goal on 13th Street was not to expand the corridor's existing economic base – check cashing businesses and adult bookstores could play no role in the area's future – he certainly wished to strengthen it. The plan was to eventually push out the types of businesses, mentioned above, that ostensibly drew prostitution and drug dealing, two major issues holding 13th Street back from becoming a successful commercial strip. Then, a community of locally-owned small businesses would take their place, reinventing the 13th Street area as a safe, clean place for a growing Center City population that was more affluent and expected more in terms of unique shopping, dining, and entertainment options.

Indeed, with a long-term strategy of completely transforming the commercial landscape of 13th Street to provide a niche retail and entertainment district of small, independent businesses and restaurants, Goldman hoped to offer Center City something much different than the mid- to upscale national chains around Rittenhouse Square or the large department stores along Market Street East. It was clear to Goldman that the business environment of 13th Street had to fit the image and scale of the place that he wanted to recreate, which included the unique physical environment of historic buildings.

As explained above, commercial districts in large cities have better market opportunities than those in small towns. Because they are only one part of a much larger

urban fabric, there is room to create specialized centers of retail that small towns – with only one Main Street – would likely not be able to support. Goldman’s goal was to capture a growing segment of Center City’s population – young and affluent – that generally preferred a more sophisticated and creative type of retail and entertainment than was already offered in downtown Philadelphia. To this end, he carefully programmed the type of businesses that leased storefronts on 13th Street, making sure that no national chain stores were able to open there. This principally meant small, locally-owned businesses with a design focus, which would eventually include a prepared gourmet food market, a housewares shop, and several restaurants, among others. According to Allison Kelsey, an economic development expert who worked with Goldman and Meginley in the project’s early stages, Goldman was willing to wait until the right type of business came along.

Goldman could easily have given into the lure of larger national credit tenants who might have been on stronger financial footing. This would have essentially guaranteed him a steady stream of revenue without having to support start-up local businesses, but Goldman knew that leasing to this type of business could easily result in a homogenized commercial environment. “The need to compete with shopping malls suggests a preference for attracting chain stores,” Seidman writes, “but failing to support local businesses can eradicate an urban neighborhood’s unique character.”⁵⁹ Again, Goldman’s interest was not simply in leasing space, but ensuring that the type of activity that occurred in those spaces would contribute to the remaking of a healthy, vibrant downtown district.

⁵⁹ Seidman, “inner City Commercial Revitalization,” 6.

Chapter 4

Metrics of Success

The success or failure of Goldman's 13th Street project can be measured in both quantitative and qualitative ways. Neither exact numbers nor anecdote nor observation alone can provide a complete assessment of how the commercial corridor has changed over the past ten years. Change is demonstrated not just in the increased tax revenue that the project has generated or how the demographics of the neighborhood have shifted, but just as much in the physical alterations that have reinvented an authentic historic environment to fit the needs of a modern downtown.

Like a traditional Main Street revitalization project, the Four Point-like strategy of organization, design, promotion, and economic restructuring has been an ongoing process on 13th Street and in the surrounding district. Although economic restructuring is in some sense complete – 13th Street is now a commercial center of high quality small businesses rather than check cashing outlets and adult bookstores – Goldman Properties continues to search for the right kind of local businesses to fill spaces as they become vacant. The other portions of the Four-Point Approach also continue to play a role in the sustained revitalization of the 13th Street corridor. Goldman Properties and now the

Midtown Village Association still work to organize business owners, collaborate with the community, ensure that new businesses fit within certain design guidelines, and ensure that marketing is a continuous process.

TIF Revenue

As might be expected, financial information from the developer that might provide a sense of how profitable the project has been – in terms of rental income, for example – was not available for this study. The economic success of the 13th Street development can be measured in other ways, however, one of which relies on a comparison between the projected incremental property tax assessments and revenues versus those that have actually been generated. In addition, an evaluation of current property values provides valuable insight into the changes that the neighborhood has undergone.

One way of measuring the success of the 13th Street project is to determine if the property tax revenues projected by the TIF District Project Plan from 1999 have indeed been generated by Goldman's investment. According to a 2004 report by Philadelphia's Office of the City Controller, the project actually generated small incremental revenue one year earlier than expected, in 2000, and even exceeded expectations in 2001 (Figure 16). This may be due to the fact that Goldman began rehabilitation work on several properties prior to being assessed property taxes in 2000. In 2001, the incremental revenue in property tax was expected to be approximately \$143,000, but the City Controller estimated the actual amount to be over \$250,000, which again was likely the result of

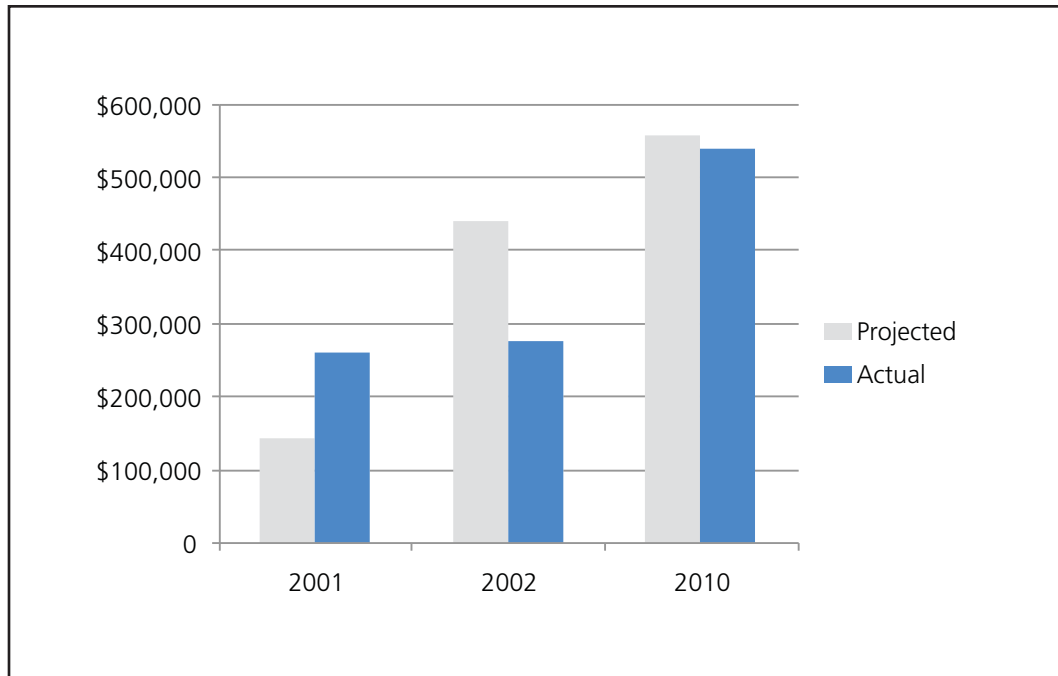


Figure 16 Projected and Actual Property Tax Increment within the 13th Street Passages TIF District in 2001, 2002, and 2010

improvements being completed earlier than expected.⁶⁰

Although these initial positive numbers may have spelled a bright future for 13th Street in the project's early years, the assessment was much different a year later. By 2002, the City Controller calculated, the 13th Street TIF District was generating property taxes of just under \$300,000 when the actual amount projected in 1999 was supposed to be roughly \$440,000. Although this lower than expected number may be due to delays in construction that would have prevented a higher assessed value on certain properties, it only reinforced the belief among many in Center City that Goldman's project was already a failure and that the City had made a mistake by approving this TIF district.⁶¹

⁶⁰ Philadelphia Office of the City Controller, "2004 Mid-Year Economic and Financial Report," (Philadelphia: Office of the City Controller, 2004): 73.

⁶¹ Philadelphia Office of the City Controller, 73 and Philadelphia Industrial Development Corporation.

Because the City Controller has not consistently kept track of the progress of the 13th Street TIF District, an independent analysis of property values and tax revenues was conducted by the author to assess how well the District has performed through 2010.⁶² Despite the early fluctuations in tax increment revenue cited above, the TIF District projections made in 1999 have largely been reached. In 2010, the Board of Revision of Taxes (BRT) assessed the properties within the District at a market value of \$20.5 million, falling only just short of the \$21.3 million expected by the TIF Plan. Based on this aggregate property value, the city collected over \$540,000 in property taxes, just below the \$558,000 projected in 1999 (Figure 16).

Although tax increment revenue has essentially met expectations at this point in the 20-year TIF plan, the TIF District has another nine years to go before it reaches expiration in 2020. Theoretically, if BRT-assessed market values remain at their current levels, the District will ultimately generate the \$41 million promised in the TIF plan in 1999 assuming, as the TIF plan does, a rate of 2.5% annual inflation.

A recent campaign to reform the practices of the BRT – particularly its wildly varying methods of property assessment – has resulted in calls by the local media, several local politicians and many city residents to assess property at actual value. In 2010, the City of Philadelphia wrested control of property assessment from the BRT and formed the Office of Property Assessment (OPA). With the goal of ultimately undertaking the so-called “Actual Value Initiative,” the OPA hopes to increase the fairness of the City’s

⁶² The Pennsylvania Tax Increment Financing Act requires that the Philadelphia Department of Commerce report comprehensively every two years on TIF impacts. As of 1998, when the Preservation Alliance’s TIF plan was published, this portion of the legislation had never been implemented. This remains true today.

property tax system. Although this might mean that the tax increment revenue that the 13th Street District generates would become much higher than projected, Goldman will still only receive the aggregate amount of \$8 million that the TIF District legislation allowed. The rest, as required by PTIFA, will go back to the City and the School District.⁶³

Demographics

As stated in Chapter 2, the population of Census Tract 6 – the Census Tract within which the entire 13th Street TIF District is located – had a population count of only 349 in 1990⁶⁴. By 2000, when Center City’s revival was in full force, this number had climbed roughly 277% to 1,315, staggering growth by Philadelphia standards. In 2000, only one other Census Tract in the entire city saw a higher percentage of growth.⁶⁵

Despite these encouraging population figures, it is difficult to demonstrate causation or even to draw a correlation between 13th Street’s revitalization and population growth. For one, although Goldman began investing in 13th Street prior to the 2000 population count, he only started rehabilitating his buildings and opening new businesses several years later. 13th Street could not have been a draw for new residents, therefore, at least prior to 2000. Secondly, although Goldman’s original TIF plan placed a strong emphasis on adding residential units within the buildings he owned, much of this space in fact ultimately went to other uses. Very little of the 80,000 square feet of new residential

⁶³ Jeff Shields, “Philadelphia Eyes a Boost in Real Estate Tax Revenue,” *Philadelphia Inquirer*, March 23, 2011.

⁶⁴ U.S. *Census of Population and Housing, 1990: Summary Population and Housing Characteristics: Pennsylvania*. Washington, D.C.: Government Printing Office, 1991

⁶⁵ U.S. *Census of Population and Housing, 2000: Summary Population and Housing Characteristics: Pennsylvania*. Washington, D.C.: Government Printing Office, 2001.

space that Goldman planned was actually fitted out. Much of this space was instead made into offices, meaning that 13th Street would be less of a draw for residents than it would be for businesses. Population growth between 1990 and 2000 in the 13th Street area, therefore, happened independently of Goldman's work in the TIF District.⁶⁶

According to recently released 2010 Census Data, the population of Tract 6 increased a further 35.4% to 1,781 residents between 2000 and 2010, a more modest increase but still a healthy amount of growth compared to that of the City as a whole. While a more in-depth analysis of the relationship between 13th Street and population growth once again remains outside the bounds of this thesis, the higher number of nearby residents undoubtedly has sustained 13th Street not simply as an entertainment or shopping destination for visitors, but a place where people live their daily lives. More residents in the district inevitably means more people on the streets.⁶⁷

Vacancy Rates

Another way of gauging the success of the development is to determine how much of the space within it is being used. When the 13th Street TIF District was proposed in 1999, vacancy rates within the 13th Street District were estimated at 75%, an aggregate rate that included both the commercial ground floor spaces and the residential or office spaces above. Space that was taxable by Philadelphia's Use and Occupancy Tax, essentially meaning commercial spaces like storefronts and offices, had a vacancy rate of 29% and

⁶⁶ Philadelphia Industrial Development Corporation, 1.

⁶⁷ U.S. Census of Population and Housing, 2010: Summary Population and Housing Characteristics: Pennsylvania. Washington: Government Printing Office, 2011.

comprised 83% of all property within the District. By the completion of the TIF Project, the 1999 plan projected, business space such as this would feature 85% occupancy.⁶⁸

While precise numbers on vacancy in the apartment or office units upstairs could not be obtained, commercial occupancy rates for ground floor spaces provide an optimistic assessment of 13th Street's progress. An October 2010 interview with Craig Grossman, the current Managing Director of Goldman Properties' Philadelphia office, revealed that there were no empty storefronts within the boundaries of the TIF District. A brief district survey undertaken the same month confirmed that there were zero vacancies in the commercial ground floor spaces within the TIF District, and almost none immediately outside of it. Only one storefront on 13th Street between Chestnut and Walnut Streets – the former Full Moon Saloon at 131 S. 13th Street – was vacant and for sale at this time, but plans were already progressing for its rehabilitation and reuse as a restaurant.⁶⁹

Business: The Commercial Environment

Of course, vacancy rates can tell us how much space within the 13th Street TIF District is currently being used and give us a basic idea of the economic success of Goldman's project. Perhaps a better indicator of success in an urban commercial revitalization project, however, is how the space is being used. What type of businesses have opened on 13th Street over the past ten years, and have they been able to attract a

⁶⁸ Goldman Properties. The Use and Occupancy Tax is defined by the City of Philadelphia as follows: "The Business Use and Occupancy Tax is a tax on the business, trade or other commercial use and occupancy of real estate located in Philadelphia. The tax is due if your business is physically located in Philadelphia, you operate your business from your Philadelphia residence, tenants, sub-tenants or owners use the Philadelphia property for business purposes."

⁶⁹ Craig Grossman

stable customer base? Even a cursory glance at the commercial environment of 13th Street today, and a basic knowledge of its evolution, will reveal that the project has indeed been a success.

Much of Goldman's ability to attract locally-owned startup businesses to 13th Street lay in his willingness to offer generous lease terms. Although precise details on these terms were not available from the developer, several business owners – like Scarlett Messina, who opened a small boutique apparel store on 13th Street in 2000 – have credited Goldman for assisting them in the early stages of opening their stores.⁷⁰ Apart from offering attractive leases to businesses, Goldman on at least one occasion also assisted in directly financing a business. For the quality and type of businesses that he wanted to open on 13th Street, Goldman was not simply willing to wait, but he was also willing to pay.⁷¹

Assistance like that provided by Goldman to businesses in the early stage of the project were crucial to developing a self-sustaining and locally rooted business community in the long term. In fact, many such urban revitalization projects place both financial and technical assistance programs at the center of their efforts. Seidman writes that “by increasing small businesses’ capacity and reducing obstacles to their success, small business development can strengthen commercial districts by reducing the failure and turnover of businesses.”⁷² Although Goldman had no official financial or technical assistance program, he worked with potential lessees on a case by case basis if it was the type of store that he wanted on 13th Street. Because many of the initial lessees were

⁷⁰ Elizabeth Bennett, “Will 13th Street be Lucky?” *Philadelphia Business Journal*, April 6, 2001.

⁷¹ Linda K. Harris, “13th Street Corridor Stripped of its Shabby Urban Image,” *Philadelphia Inquirer*, May 23, 2004.

⁷² Karl Seidman, “Inner City Commercial Revitalization: A Literature Review,” (2001): 38.

first-time small business owners, favorable lease terms and guidance from Goldman as to the design aspects of their storefronts were essential to the short-term success of the 13th Street project. In addition, such assistance early on would eventually create a business community that would be able to sustain itself without the involvement of Goldman Properties.⁷³

In her classic work, *The Death and Life of Great American Cities*, Jane Jacobs famously declared that “new ideas must use old buildings.” She was essentially referring to the high cost of new construction and how this was often an impediment to the development of small businesses. Her idea was that new ideas require old buildings because old buildings are much more cost-effective for business owners than comparably sized new buildings, especially for a business that is just starting out. “Hundreds of ordinary enterprises,” Jacobs writes, “necessary to the safety and public life of streets and neighborhoods, and appreciated for their convenience and personal quality, can make out successfully in old buildings, but are inexorably slain by the high overhead of new construction.”⁷⁴

At the same time, small businesses in old buildings can benefit from the draw of a much larger, more financially capable enterprise. Realizing that he could not rely simply on attracting new, creative small businesses, Goldman himself opened a restaurant and bar, Trust, in the 1950s former Cayuga Federal Savings Bank building at 129 S. 13th Street. This large building, at the southeast corner of S. 13th and Sansom Streets, provided an

⁷³ Allison Kelsey, interview.

⁷⁴ Jane Jacobs, *The Death and Life of Great American Cities*, (New York: Vintage, 1992): 188.

amount of space in which Goldman could create the first real destination and attraction on 13th Street. Goldman “primes the pump,” one writer said, “by seeding a restaurant to create a café culture or introducing unique businesses to give the site an image with which others will want to associate.”⁷⁵ Indeed, Trust was a way for him to prove to both visitors and potential lessees, in a very visible, high-profile way, that 13th Street could once again become an economically viable commercial environment. Goldman had tried to lure the up and coming restaurateur Stephen Starr to open a restaurant in the space, but with no clear signs of the block’s improvement by 2001, Starr was reluctant to make an investment there. There was no choice for Goldman, therefore, but to open a place himself, which he did the following year.⁷⁶

While the restaurant itself may not have been the draw for many of the businesses that followed – it was the remade historic fabric of 13th Street and Goldman’s vision for its future that attracted business owners – it began to attract pedestrian traffic that would allow other enterprises to flourish. One of the first new businesses to open on 13th Street was Open House, a small home furnishings and housewares store at 107 S. 13th Street, owned by business partners Marcie Turney and Valarie Safran, two women who had lived nearby for several years and had witnessed the transformation of the district early on. Turney, who had been a chef at a restaurant in the neighborhood, and Safran, who had hoped for years to open her own store, were drawn to 13th Street by its unique architectural character and the vision that Goldman had to transform it.⁷⁷ The store was

⁷⁵ Fred Kent, “The Upside of Down Economy: Going Local,” *Urban Land* (May 2009): 41.

⁷⁶ Craig Grossman, interview by Kevin McMahon, October 12, 2010.

⁷⁷ Robert Spector, *The Mom & Pop Store: How the Unsung Heroes of the American Economy Are Surviving and Thriving*, (New York: Walker & Company, 2009):189-190.

exactly what Goldman was looking for; it would be independent and locally owned, design focused, and unique in Center City for its concept.

Although other businesses opened on 13th Street around the same time and even prior to Open House, none gained the foothold that Turney and Safran were able to accomplish. The store was such a success that it expanded to take over the space next door only a year after it opened. In addition, the pair went on to open a restaurant, Lolita, across the street at 106 S. 13th Street in 2005, and Grocery, a prepared gourmet foods market at 105 S. 13th Street in 2006. Since then, Turney and Safran have opened two restaurants and one store in addition to those they already operate on the 100 block of S. 13th Street.

While the proliferation of new, creative businesses like Lolita and Grocery might seem like an unrivaled success in Center City, there remains the reality that six businesses out of a total of less than two dozen are owned by the same business partners. Such a high concentration of a single entrepreneurial entity could in the long term present the commercial environment of 13th Street with difficulties. Many other businesses not owned by Turney and Safran have opened on 13th Street, but the pair control a significant portion of the corridor's economy. If they were to leave 13th Street for example, the future of a large portion of the corridor would remain in question. The market of 13th Street and the surrounding district may have developed to a point where these spaces would be quickly refilled, but there is no guarantee. The great success in the recruiting of small, creative businesses and Goldman's careful management of the corridor's physical environment has resulted in a fully revitalized historic district, but the long-term sustainability of this

model has yet to be fully demonstrated.

Evidence that 13th Street might in fact be able to support itself without the assistance of Goldman Properties or the concentration of a few business owners like Turney and Safran is the Midtown Village Association. The Midtown Village Association is an organization of business and property owners on 13th Street and the surrounding blocks. It was formed in 2006, after many of the business owners who had opened on 13th Street realized that the B3 or Blocks Below Broad concept initiated by Goldman Properties was inadequate. They liked the message that the brand was trying to achieve – modern, urban life in a reinvented historic quarter – but believed they needed a more approachable name and a more comprehensive program of activities.⁷⁸

Establishment of the Midtown Village Association was a crucial step in the revitalization of 13th Street and the surrounding commercial district. It meant that a business community had developed to a stage where they could begin to take on much of the responsibility for marketing and branding in a more homegrown way than Goldman Properties had yet achieved. Writing in *Urban Land*, Fred Kent, president of the Project for Public Spaces, writes that Goldman's strategy "gives the community and stakeholders a sense of ownership of the development from its beginning," which enriches the revitalization project and allows many to feel invested in the developer's vision.⁷⁹ The Midtown Village Association, which is the realization of this effort, would grow naturally from the business community that was incrementally developing on 13th Street. Unlike

⁷⁸ James McManaman, interview by Kevin McMahon, March 15, 2011.

⁷⁹ Kent, 41.

the B3 brand, which was imposed on a district that had yet to form any true sense of identity, it would be the business owners themselves who would develop and nurture the new Midtown Village brand.⁸⁰

The Association held its first meeting in July 2006, which was attended by Paul Levy, the President and CEO of the Center City District. Levy and the CCD, whose mission is to ensure the continued revival of Philadelphia's downtown environment and economy, had a particular interest in seeing 13th Street succeed. The 13th Street District was very near the geographic and symbolic center of the CCD's boundaries, the cultural heart of the City, and the major transportation nodes. Its revived image and improved historic environment, therefore, could greatly benefit the overall perception of Center City Philadelphia.⁸¹

To assist the Midtown Village Association in its startup costs and to begin to explore branding and marketing strategies, Levy promised \$2,000 from CCD funds. Working with Quaker City Mercantile, a branding agency which itself ultimately moved to a building owned by Goldman on S. 13th Street, area business owners conceived the Midtown Village name (Figure 17). The word "village" evoked a sense of what it felt like to walk down 13th Street, and "midtown" logically referred to its geographic location at the heart of Center City.⁸²

Echoing the language of the B3 marketing materials from a few years earlier, Midtown Village purportedly "attracts a diverse group of forward thinking individuals who

⁸⁰ James McManaman, interview.

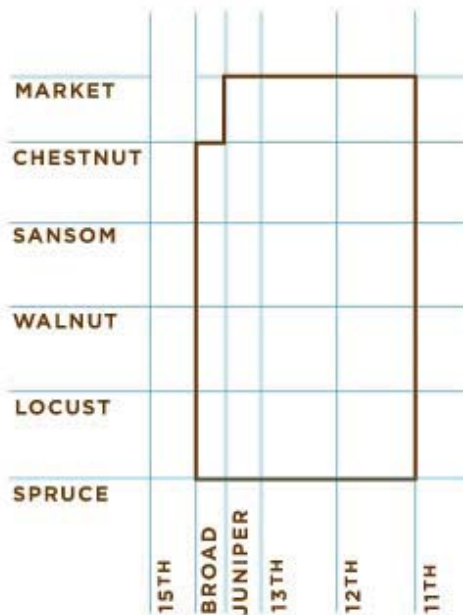
⁸¹ Ibid.

⁸² Ibid.



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**COME CHECK OUT ALL OF THE GREAT
SHOPS & SERVICES LOCATED**



IN THE VILLAGE!

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Figure 17 Midtown Village Branding
www.midtownvillage.org

are drawn to the locale's distinctive energy. Its vitality and spirit is almost tangible to those walking through its streets."⁸³ Once again, a close connection to history is at the center of the image that this new brand hopes to achieve. "Abuzz with new life," the association's website states, "restored turn-of-the-century buildings serve as the backdrop for Philadelphia's new hub of creativity and modern discovery."⁸⁴ The feeling is that historic fabric can serve the modern city in a way that new buildings or shopping centers could never do.

The Midtown Village Association then began to formulate ways in which its brand could be applied more broadly than B3 had been during the previous four years. Although meant to provide an identity to the 13th Street area, the Midtown Village name would be used in various activities beyond merely marketing, particularly street fairs and festivals that would engage the public in a way that B3 never did. To date, the Midtown Village Fall Festival is the largest and most successful program that the business association operates, having drawn thousands of visitors to 13th Street during one weekend in early October every year since 2006.⁸⁵

Design: The Physical Environment

As demonstrated in Chapter 3, design of the physical environment was an essential consideration in 13th Street's revitalization process, especially in its beginning stages. Seidman writes that "Seeing change quickly and in a concentrated way motivates

⁸³ Midtown Village website, < <http://www.midtownvillage.org/>>, accessed March 16, 2011.

⁸⁴ Ibid.

⁸⁵ James McManaman, interview.

property and business owners to invest and increases community awareness and support.” Therefore the derelict and deteriorating buildings so prevalent in the 13th Street area required some level of immediate repair – if not full rehabilitation – to begin changing people’s perception of the corridor. Indeed, Goldman’s ability to market the corridor and attract the first new businesses in many ways depended on the types of spaces he was offering to potential lessees – both as individual storefronts and as an urban environment – and the overall condition of these spaces.

Design of the physical environment through historic rehabilitation and streetscape improvement did not constitute an end goal for Goldman, however. In fact, design has played a continuing role in the evolution of 13th Street as an urban space since 2000, demonstrating that a truly vibrant and economically viable historic commercial corridor does not exist in stasis physically. Alteration to facades and interior spaces will occur as businesses change, and the easier it is for a commercial center to adapt to such changes, the better able it will be to serve the needs of a diverse range of businesses and residents.

Despite the necessity for adaptation and evolution over time, Goldman was of course required to adhere to certain strict design guidelines, the Secretary of the Interior’s Standards, in order to receive the rehabilitation tax credit on his properties. On 13th Street, the SOI Standards were de facto design guidelines for rehabilitation of historic fabric, and to the extent required, most existing buildings were rehabilitated to reveal their true historic character (Figure 18). As required by the tax credit program, the property owner must retain the building and adhere to SOI Standards for at least five years after



Figure 18 117-119 S. 13th Street in 1999 (top) and 2010 (bottom)
Goldman Properties and photo by the author

completion of the rehabilitation, the period over which the tax credit is distributed to the owner.⁸⁶

Assisted by the SOI Standards, Goldman could and did push the design of 13th Street in a certain direction – that of a recreated urban environment of historic commercial buildings – but there would always be room for flexibility and for the neighborhood to adapt to whatever modern uses would occupy space there. “A district’s design vision should reflect the neighborhood character and desired image,” Seidman writes, “rather than copying standard urban design or historic preservation rules. This is especially true for districts where physical features help to set the district apart.”⁸⁷ One of the ways in which Goldman could push his design vision beyond that required by the SOI Standards was the construction of new fabric in harmony with the old.

Although Goldman’s redevelopment of 13th Street relied on the reuse of historic building fabric on a large scale – both for its relative cost-effectiveness and architectural quality, among other reasons – new construction also played a role where vacant lots existed or where a building had no particular historic or design value. Developers like Goldman view a place like 13th Street not as a static historic environment, but an opportunity to create a vibrant urban space through reuse of existing fabric in addition to new design. In a 2004 interview, Goldman frankly stated that “all architecture is not worth saving. Some of it doesn’t contribute to the fabric of a neighborhood and can be pruned. There is also plenty of opportunity for great new architecture.”⁸⁸ Urban designer Tim Love agrees,

⁸⁶ National Park Service, “Historic Preservation Tax Incentives,” brochure, 2009.

⁸⁷ Seidman, “Revitalizing Commerce,” 15.

⁸⁸ Goldman, 2004.

writing that “Unlike *tabula rasa* brownfield sites,” where most large-scale urban design was occurring, “these plans include both existing buildings and open parcels, and thus generate a range of building scales.”⁸⁹ Such variety already existed on 13th Street and would be further enhanced by the construction of new fabric.

Three examples of new construction on 13th Street since 2000 have been executed with varying degrees of success. The first, at 114 S. 13th Street, was an extension of the large commercial building just to the south, occupying 116-120 S. 13th Street (Figure 19). The existing building, a vaguely Classical commercial structure built around 1920, consists of four substantial, three-story brick piers between which are storefronts on the ground floor and large, double-hung sash windows on the second and third stories. An earlier building from the early 20th century had occupied the site, but would not fit the plan to expand the floor space of the larger building next door, so it was demolished to make room for this new addition in 2006.

This first foray into new construction followed more of a literal interpretation of the corridor’s architecture than later projects would. Imitating exactly the scale, window levels, and to a large extent the materiality of the existing building, the extension is a carefully executed work meant to expand the retail and office capacity of the adjacent building without appearing as an obvious addition. To the pedestrian, the structure does not immediately appear to be an addition, although a closer inspection will reveal that it is in fact a recent work. Although the building is successful in this way, it does not make a particularly interesting addition to the diversity of architectural form and materiality on 13th Street.

⁸⁹ Love, 69.



Figure 19 114-120 S. 13th Street in 1999 (top) and 2011 (bottom)
Goldman Properties and photo by the author



Figure 20 102 S. 13th Street in 2011
Photo by the author

A year later, Goldman began work on another new building, this time to replace an inadequate structure that had been substantially reduced in size and fully stripped of its late-nineteenth century architectural detail (Figure 20). This building, which had previously been occupied by a small hotel, was constructed in the Victorian Second Empire Style, but sometime after 1959 the upper stories were demolished, leaving a one-story commercial building.⁹⁰

Looking to use the land for a new restaurant, Goldman demolished the existing building and, working with design-build firm Urban Space Development, began construction on a new, much more modern structure (Figure 20). Although blatantly contemporary in its form – the building is essentially a sharply rectangular box – it echoes

⁹⁰ A photo taken by the Historical Commission in 1959 shows the original fabric.



Figure 21 122-24 S. 13th Street in 2011
Photo by the author

the materiality and texture of neighboring buildings. Although constructed in painted white and black brick, which contrasts with the more muted red brick and limestone facades found throughout the corridor, the color contributes to the diversity of 13th Street's architecture. In addition, although abutting a four-story building on its south side, 102 S. 13th Street is experienced as a one-story building – the second story steps back about 20 feet from the sidewalk, providing an outdoor terrace for seating.

The most recent new construction project, a restaurant building constructed on an empty lot at 122-124 S. 13th Street, is the least successful of the three (Figure 21). Although conducive in scale to the 13th Street streetscape – the building is only one story – it lacks the material quality that Goldman's other new construction projects have achieved. Its front façade, consisting of inexpensive, painted wooden panels, feels

inexpensive and unsubstantial. In addition, traces of the vinyl siding used along the alley on the south side of the building peak out onto the sidewalk. Still, the restaurant that occupies the space faces the sidewalk with large windows that allow a glimpse inside, preserving the pedestrian-friendly quality of the 13th Street streetscape. Despite certain shortcomings, therefore, this new building has been a relatively innocuous addition to the physical environment of 13th Street.

The overall design vision for 13th Street is one that carefully melds rehabilitation of existing fabric with new construction. The improved physical environment of the corridor is one that acknowledges the changes that have occurred there over time – represented specifically by its variety in architectural scale, style, and materials – and also the imperative to adapt to new needs. It is important to note that all has work happened incrementally, preventing 13th Street’s revitalization from feeling artificial or contrived. This carefully executed plan instead results in a feeling that 13th Street is a place that has adapted over time to fit the needs of a modern downtown in a large city. Goldman went so far as to leave certain properties – at least those off the main strip, on Sansom and Drury Streets – unimproved until very recently. Despite the fact that many new businesses continue to refine the image and physical environment of 13th Street, therefore, it retains a certain sense of its diverse urban past.

Chapter 5

13th Street as a Model

Through a careful consideration of the political, economic, and design contexts surrounding a deteriorating historic commercial corridor, real estate developers – those with the ability to implement and manage a long-term, incremental strategy – can successfully revitalize both its physical and business environments in a sustainable way. In Philadelphia, Goldman was able to largely reinvent 13th Street with a strategy that included organization of political and business interests, promotion of his vision for the corridor, implementation of a carefully thought out design scheme, and the restructuring of the corridor's economic environment.

It is uncommon for a real estate developer to take such a long-term, comprehensive interest in the redevelopment of an urban commercial district. Apart from Goldman's own work in Philadelphia, and previous projects in New York City and Miami Beach, Florida, there are few examples of where a private entity like Goldman Properties has carefully executed and managed a successful urban redevelopment program. It is difficult to measure the success of 13th Street, therefore, in comparison with other real estate developer-led revitalization projects.

SoHo and Miami Beach

For example, it is difficult to compare the results of Goldman's work on 13th Street to that of his work in New York City and Miami. Although Goldman followed a similar strategy of buying a critical mass of historic buildings in pedestrian-friendly neighborhoods, the physical and economic contexts of both of these places are vastly different than those surrounding 13th Street in Philadelphia.

Between 1976 and 1984 in SoHo, for example, Goldman purchased 18 late-nineteenth century cast iron buildings of a scale much larger than the three- or four-story commercial buildings in Philadelphia. In the 1970s, very few people lived in SoHo and property there was very inexpensive compared to other parts of Manhattan. Attempting to capitalize on New Yorkers' new desire to live and shop in this former industrial district, Goldman recruited a vast range of super high-end retailers and hotels, and rehabilitated. Although he succeeded in turning SoHo into a thriving, pedestrian-friendly district, and in reconnecting the neighborhood back into the urban fabric of New York, Goldman made no attempt here at attracting the kind of locally-owned small businesses that he did on 13th Street. He also placed a much greater emphasis on creating new residential space in the upper floors of commercial buildings, creating a more mixed-use neighborhood than he ultimately did in Philadelphia.

In Miami beginning in 1985, Goldman acquired a range of 18 run down Art Deco hotels and other buildings in South Beach at the southern tip of Miami Beach. Although the buildings stood within the Art Deco National Register Historic District, which was listed in 1979 in a push for designation led by architect Denise Scott Brown, the area had

yet to see any significant private investment by 1985. That year, Goldman visited and saw on South Beach what he saw in SoHo, a high concentration of architecturally significant properties within a walkable urban environment. By 1994, he had purchased over a dozen properties, mostly former hotels. Aided by proximity to the beachfront, Goldman lured high-end boutique hotels and restaurants to lease space in his buildings. Despite following a long-term, incremental strategy, Miami Beach was, unlike SoHo and 13th Street, an exercise in creating a destination for entertainment and leisure. It was not an attempt to recreate a neighborhood-serving retail environment.

Again, Goldman's strategy was similar but differed in critical ways than that which was implemented on 13th Street. Like SoHo and 13th Street, the property but Goldman saw an opportunity and market for its reuse as upscale hotels, restaurants, and other entertainment venues. The main driver of revitalization in South Beach was a special service district that Goldman established with local leaders mainly to reduce crime and clean up the streets.⁹¹ In addition, use of the Federal Rehabilitation Tax Credit was key to the feasibility of the project, which all of his properties were eligible for because of their location within a National Register District.

Although it might be difficult to draw a comparison between the successes of these two larger scale projects and 13th Street, Goldman's work in Philadelphia has been a model for other examples of neighborhood-serving commercial revitalization projects.

⁹¹ In many ways, the special service district is similar to Philadelphia's Center City District, a business improvement district that was established to provide some measure of safety in the downtown, in addition to cleaning its streets daily and promoting it as a good place to live, work, and visit.

East Passyunk Avenue, Philadelphia

In many ways, the story of East Passyunk Avenue's revival is much like that of 13th Street. It was once a thriving commercial corridor, albeit one for a working-class South Philadelphia neighborhood, and had fallen on hard times for the past several decades. Unlike 13th Street, however, East Passyunk was at the center of a dense residential neighborhood, not at the center of the city's central business district. Passyunk Avenue presented an excellent opportunity, therefore, to revive the historical model of neighborhood-serving retail. Like 13th Street, the focus would be on recruiting locally owned small businesses, but instead of a niche retail and entertainment district, these businesses would provide for those that lived around them.⁹² Again, there would no room for large chain stores.⁹³

Although officially managed by a non-profit organization, the Passyunk Avenue Revitalization Corporation (PARC), formerly the Citizens Alliance for Better Neighborhoods, has undertaken many of the same responsibilities in the corridor's revitalization that Goldman Properties did as a private-sector entity on 13th Street.⁹⁴ The non-profit had in fact approached Goldman initially to take the leading role in the corridor's redevelopment as he had on 13th Street. Although the deal eventually fell through over money, the Citizens Alliance, using money provided by its founder, State Senator Vincent Fumo, could undertake

⁹² Edward A. Schwarz, *Visions of a Better City: Selected Papers 1984-1990*, (Philadelphia: Diane Publishing Company, 1991): 37.

⁹³ Tom Ferrick, "How East Passyunk Got Hot," accessed March 30, 2011, <http://www.phlmetropolis.com>.

⁹⁴ The Passyunk Avenue Revitalization Corporation (PARC) is a non-profit real estate development and management company that was formed as a successor to the Citizens Alliance for Better Neighborhoods, the non-profit organization that initiated investment on East Passyunk Avenue under former Pennsylvania State Senator Vincent Fumo, now imprisoned for alleged financial improprieties. Paul Levy, President and CEO of the Center City District, is the court appointed overseer of the Citizens Alliance and now Chairman of the Board of Directors of PARC.

the project itself using Goldman's advice and 13th Street as a model.⁹⁵

Like Goldman, the Citizens Alliance purchased a critical mass of 19 properties between 1500 and 2000 East Passyunk Avenue, renovating them and renting the spaces to unique, locally owned businesses. Unlike 13th Street, the area was not contained by a National Register Historic District, but the historic fabric of the area, despite needing improvements, would not require extensive restoration of historic architectural details. The architectural environment of East Passyunk was not of the same variety as that on 13th Street, either in materiality, scale, or style. Many of the buildings were simple, early-twentieth century brick storefronts with little architectural detail. The redeeming quality of the corridor, however, was its pedestrian –friendly scale and concentration of commercial activity, which has attracted dozens of new independent retail outlets and small restaurants. As a judge of success, the current vacancy rate of commercial properties on East Passyunk is (still trying to get this info from the Passyunk BID, but I expect it is quite low)

Fort Point Portfolio, Boston

Goldman's 13th Street strategy has caught on in other places as well. Berkeley Investments, a Boston real estate development company, has been investing in an area of that city, Fort Point, for several years now. The Fort Point Portfolio, as the developer calls the project, is a former industrial district of brick loft buildings separated from downtown Boston only by the Fort Point Channel, a small arm of Boston Harbor. The area became

⁹⁵ Tom Ferrick, "Making it Happen on East Passyunk," accessed March 30, 2011, <http://www.phlmetropolis.com>.

an attraction for several developers after it was reconnected to downtown during the Big Dig Project.

Beginning in 2004, Berkeley began buying properties and undeveloped parcels in the Fort Point area and eventually acquired a mass of 13 buildings, most of which were large former warehouses from the nineteenth century. Despite the large scale of the buildings, however, they existed in a dense, walkable urban environment much like that of SoHo in New York City. Like Goldman's projects in New York and Philadelphia, the neighborhood was special because of its urban design qualities and the impact that many historic buildings created as a whole, not as individual landmarks. Also, because of the availability of vacant parcels, there would be opportunity to create a neighborhood of great vitality through the juxtaposition of historic architecture and new construction.⁹⁶

Working with Utile Design, a Boston urban design firm, Berkeley followed Goldman's 13th Street strategy of comprehensive and long-term revitalization. With a strong emphasis on providing new residential space in lofts above ground-level retail, Berkeley focused on creating a "creative urban district." Like Goldman's work on 13th Street, the plan involved creating a brand for the place, using design to enhance its uniqueness as an urban environment, and economic restructuring to develop a community of one-of-a-kind businesses. Urban designer Tim Love, principal at Utile, stated in a New York Times report in 2006 that "Our planning work was based in many ways on the strategy used by Goldman in Philadelphia," Mr. Love said. "The economic equation is, I'm going to subsidize this destination restaurant entrepreneur to get them here, because then I can

⁹⁶ Love, 67-68.

generate more income from the condominiums and the co-ops.” Coincidentally, Goldman himself began investing in the neighborhood two years after Berkeley purchased their first property.⁹⁷

Because the Fort Point project has only been in the works for about six years, it is difficult to judge its success. Some properties have only in the past two years undergone rehabilitation work, and new construction has yet to commence. 13th Street, which was a much smaller project by comparison, has only after eleven years reached zero percent vacancy in its ground floor retail spaces, so it will likely be another five to ten years before Fort Point becomes a similarly vibrant commercial and entertainment center. Like Goldman Properties during the early years of the 13th Street project, Berkeley Investments has received criticism from local leaders and residents who have not seen an overnight success in Fort Point, but several condominium buildings and retail outlets have already opened. With a similar patience for the right type of retail to open, the developer understands – as he understands Goldman’s 13th Street strategy – that revitalizing Fort Point in a similar way will require a long-term, incremental process.

⁹⁷ Alison Gregor, “A SoHo for the South Boston Waterfront,” *New York Times*, December 27, 2006.

Conclusion

13th Street's influence on other projects attests to its success as a strategy for successful revitalization of historic, urban commercial centers. Although true urban Main Street programs – those initiated by communities in large cities to revitalize the commercial centers of their neighborhoods – have not received as much attention as those in smaller towns and cities, projects like 13th Street in Philadelphia and Fort Point in Boston are beginning to demonstrate how disused commercial centers in large cities can once again become vibrant, economically viable places.

Committing to a long-term, comprehensive strategy that involved historic preservation, promotion, design, and economic restructuring, the developer, Tony Goldman, in many ways followed the National Trust's long-running and highly successful Main Street Program. Although designed as a framework for downtown revitalization in small towns and cities, the Main Street program has been adapted by communities and developers alike in much larger urban settings like Philadelphia.

Because places like 13th Street – historic commercial centers in large cities – are only one component in a much larger, more complex urban environment, revitalization

requires a broad understanding of the often complex political, economic, and design contexts surrounding the project. Goldman's Main Street approach followed a strategy that involved many activities – not just real estate development – that allowed him to sufficiently tackle these issues. With a program that involved rehabilitation of 13th Street's historic fabric, recruitment of independent small businesses, and the development of a new brand and image for the place, Goldman to a large extent has adapted a historic commercial corridor to fit the needs of a modern downtown.

Although private-sector involvement – at least to the extent that Goldman led 13th Street's revival – cannot be expected to save every historic commercial corridor, it can be a highly successful strategy for revitalization. The true rebirth of a place like 13th Street involves requires a comprehensive understanding of many factors. For developers who understand the comprehensive, long-term commitment required to make an impact, Goldman's 13th Street strategy is an attractive model.

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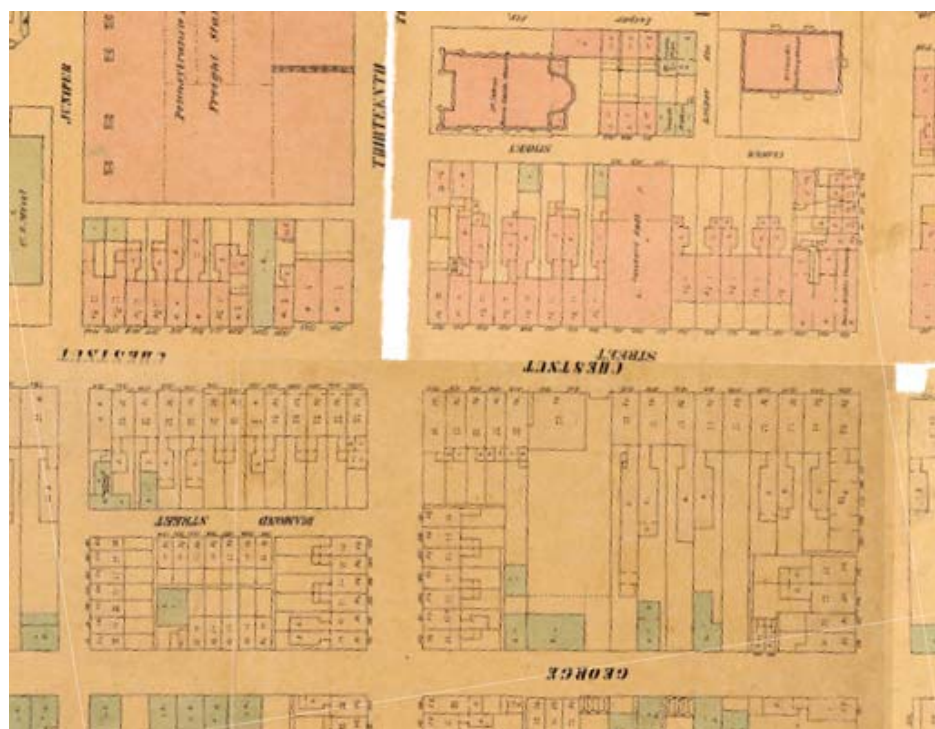
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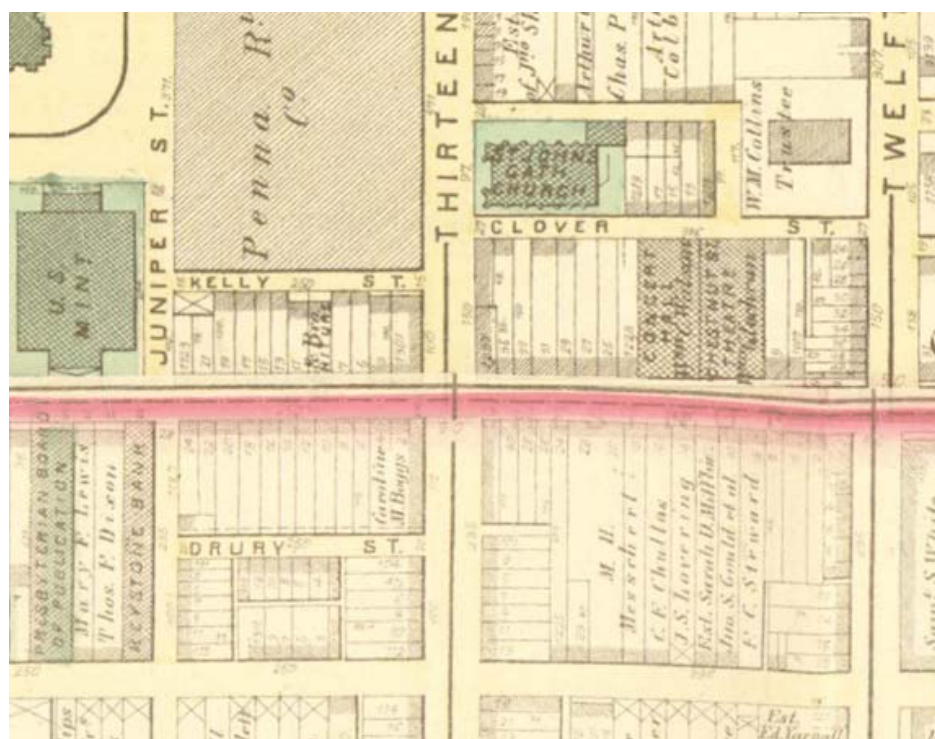
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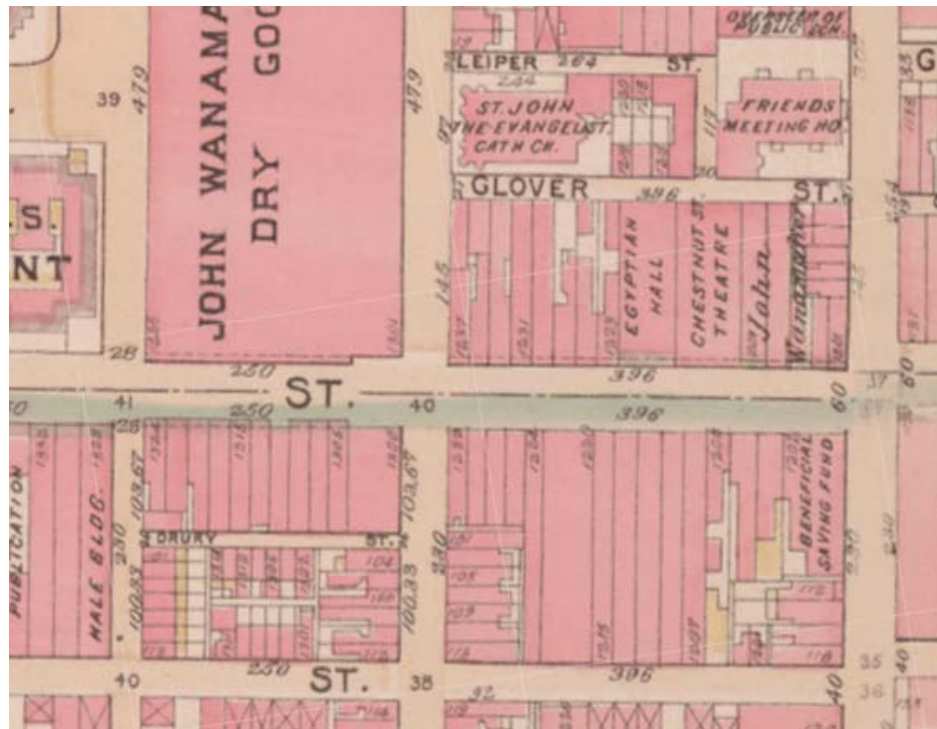
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13th Street area in 1858, Hexamer & Locher Maps, 1858-60



13th Street area in 1875, Hopkins City Atlas of Philadelphia, 1875



13th Street area in 1895, Bromley Atlas of the City of Philadelphia, 1895

Source: Athenæum of Philadelphia

13th Street Passage Tax Increment Financing District

Project Plan

Filed: October 14, 1999
Amended and Restated: November 17, 1999

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- Part I Proposed Improvements
- Part II Economic Analysis
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Executive Summary

13th Street Passage Tax Increment Financing District

The Philadelphia Authority for Industrial Development (PAID) hereby submits this Project Plan to create the 13th Street Passage Tax Increment Financing District ("District") in accordance with the Commonwealth of Pennsylvania Tax Increment Financing Act as amended (P.L. 465, approved July 11, 1990 and amended December 16, 1992, 53 P.S. 6930.1 et seq.). The objective of the District is to allow for the redevelopment of an underutilized and deteriorated section of Central Philadelphia located at the intersection of 13th Street and Sansom Street by authorizing certain incremental increases in the District's tax value over a term of 20 years to assist in the funding of the project costs.

The District is an irregularly shaped area located just east of Broad Street bounded by Juniper Street on the west, Drury Street on the north, 13th Street on the east, and Walnut Street on the south. The District shall include the parcels known as 107-129 S. 13th St., 102-106 S. 13th St., 112-124 S. 13th St., 1309-1313 Sansom St., 1304-1308 Drury St., and 1315 Walnut St. The District is approximately 2+ acres in area and consists primarily of vacant land and approximately 370,000 s.f. of abandoned and underutilized commercial and residential buildings.

The District site will be purchased by Goldman Properties, Inc., or its affiliate(s), ("Developer"). The Developer will renovate the existing retail / restaurant / office / residential structures (renovation may entail demolition of certain structures) and construct approximately 80,000 s.f. of new residential space (the "Project").

Total Project costs are estimated at approximately \$42.1 million. This would likely be financed through a combination of private debt and equity estimated at \$33.5 million, public grants of \$0.6 million, and TIF financing estimated at \$8 million. Incremental increases in taxes shall be pledged for repayment of the TIF Note(s).

The Project is projected to create 188 construction jobs for two years and over 218 new full-time equivalent ("FTE") permanent jobs (in addition to the 102 existing permanent jobs in the District, resulting in a total of 320 permanent jobs).

The properties in the District are 75% vacant and generally in a blighted condition. The District has been blighted and crime-ridden for several decades. Currently, the properties in the District annually generate approximately \$157,000 in property tax and \$21,000 in use & occupancy tax based on property market value of \$6 million. In addition, the District annually generates approximately \$109,000 in sales, wage, and liquor taxes. The market value of the District after improvements is estimated at \$27.3 million, yielding an incremental annual increase in property values of \$21.3 million. Over twenty years, tax revenue projections show that approximately \$12.2 million will accrue to the City, \$11.3 million will

accrue to the School District, and \$17.5 million in tax increments will be used to fund project costs as authorized herein.

Part I Proposed Improvements

The 13th Street Passage Tax Increment Financing District is an irregularly shaped area located just east of Broad Street bounded by Juniper Street on the west, Drury Street on the north, 13th Street on the east, and Walnut Street on the south. The District shall include the parcels known as 107-129 S. 13th St., 102-106 S. 13th St., 112-124 S. 13th St., 1309-1313 Sansom St., 1304-1308 Drury St., and 1315 Walnut St. The District is approximately 2+ acres in area and consists primarily of vacant land and approximately 370,000 s.f. of abandoned and underutilized commercial and residential buildings.

The Developer has acquired or entered into agreements of sale for the majority of the properties in the District. The Developer has obtained letters of intent to sell from current property owners for the balance of the properties in the District.

After acquisition, the Developer will renovate the existing retail / restaurant / office / residential structures (renovation may entail demolition of certain structures) and construct approximately 80,000 s.f. of new residential space.

The Project design has not been finalized, and the figures presented here are based on estimates. These estimates may change as the Project design is refined. The cost and/or size of the Project may change by up to 15% (any increases in Project cost will be funded through private sources other than the TIF Financing) without an amendment to the Project Plan.

Part II Economic Analysis

(A) Fiscal Effect on the Municipal Tax Base

Development of the Project will produce significant positive net benefits to the City and the School District. The tax impact analysis is based on assumptions and methodology described below and is not intended as a maximum or minimum figure. The analysis includes the direct impact of the property, use & occupancy, sales, liquor, and wage taxes and may underestimate actual tax revenues to the extent it ignores business privilege taxes and indirect job increases.

Tax Revenues:

Tax revenues when the Project is completed are estimated at \$1.8 million in the first full year of operations and total \$41 million over twenty years based on analysis of property, use & occupancy, sales, liquor, and wage taxes.

Of the taxes generated by the Project over twenty years, approximately \$12.2 million will accrue to the City, \$11.3 million will accrue to the School District, and \$17.5 million in tax increments will be used to fund project costs as authorized herein. Tax projections are based on the following assumptions:

- *Property Tax:* Property taxes assume a base market value of \$6 million for tax assessment purposes in year 2000 and assumes the Board of Revision of Taxes will assess the improved property based on a market value of \$27.3 million.
- *Use & Occupancy Tax:* Use & occupancy taxes assume a base market value of \$6 million for tax assessment purposes. It is further assumed that currently, 83% of the property in the District is comprised of use & occupancy taxable space, and that such space features 29% occupancy. It is assumed that the Board of Revision of Taxes will assess the improved property based on a market value of \$27.3 million and that 68% of such improved property shall be comprised of use & occupancy taxable space, and that such space shall feature 85% occupancy.
- *Sales Tax:* Sales taxes assume that currently, 54,000 s.f. of retail space is 29% occupied and generates \$100 to \$150 (depending on retail or food services use) in annual sales per occupied, rentable s.f., and that 80% of retail sales and 100% of food service sales are sales taxable. Projected sales taxes assume that 60,000 s.f. of retail space is 85% occupied and will generate \$250 to \$500 (depending on retail or food services use) in annual sales per occupied, rentable s.f., and that 80% of retail sales and 100% of food service sales are sales taxable.

- *Liquor Tax:* Liquor taxes assume that currently, 5,000 s.f. of restaurant space is 29% occupied and generates \$38 in annual liquor sales per occupied, rentable s.f. Projected liquor taxes assume that 20,000 s.f. of restaurant space will be 85% occupied and will generate \$125 in annual liquor sales per occupied, rentable s.f.
- *Wage Tax:* Wage taxes assume that the 320 full-time equivalent employees will work in the District at an average salary of \$25,000. Wage taxes are calculated for the construction phase assuming that 65% of hard construction costs are applied to labor costs (due to the labor intensive nature of historic rehabilitation work) over a two year construction period.

All revenue, wage, and market value estimates are expected to increase by an annual inflation rate of 2.50%.

Cost Benefit Analysis:

The cost benefit analysis indicates whether the Project provides a net benefit to the City and School District based on the assumption that the District will remain largely underutilized if the Project is not completed.

Assuming no new improvements to the District, the site would annually generate approximately \$157,000 in property tax and \$21,000 in use & occupancy tax based on property market values of \$6 million. In addition, the District would annually generate approximately \$109,000 in sales, wage, and liquor taxes. Aggregate taxes, if inflated at a 2.5% annual inflation rate over a twenty year period, would yield \$7.5 million in tax revenue. Of the taxes generated, approximately \$4.6 million would accrue to the City and \$2.9 million to the School District over twenty years.

Assuming completion of the Project, projections show that over twenty years approximately \$12.2 million will accrue to the City and \$11.3 million will accrue to the School District.

Thus, over twenty years, the Project represents a net benefit of \$7.6 million to the City and \$8.4 million to the School District.

(B) Feasibility Analysis

Feasibility analysis is summarized below in terms of ability of the development team to complete the Project. Reasonableness of Project costs and the method and timing of financing is summarized in Section III and Section IV, following.

Goldman Properties, Inc. is a well-recognized development firm with a preservationist philosophy. The firm has extensive experience participating in successful, long-term large-scale urban redevelopment efforts nationally. For example, Goldman Properties, Inc. was instrumental in the revitalization of Soho and the Wall Street area in New York City and South Beach in Miami Beach, Florida. Tony Goldman, President of the firm, sits on the Board of Trustees of The National Trust for Historic Preservation.

The Developer's project team reflects extensive experience in construction and rehabilitation projects of this scope in Philadelphia. Cope Linder Associates provides architecture, landscape architecture, urban design and planning services. Their projects include urban mixed use, high rise office, suburban retail centers, office buildings, multi-family residential, institutional and educational facilities, hospitality and gaming projects, and specialty entertainment venues. Their presence in Philadelphia includes such projects as the Streetscape Improvement Program implemented in Center City, and the Reading Terminal Headhouse historic renovation. York Hunter Group is a construction management firm involved in projects that include commercial, retail, residential, industrial, health care, institutional, and governmental clients. York Hunter is engaged in large-scale projects locally and nationally.

Part III Project Costs

- (A) *Initial Project Costs:* Total Project costs are estimated at approximately \$42.1 million and include capital costs of \$33.2 million, financing costs of \$2.7 million, fees and professional service costs of \$3.7 million, and project contingency of \$2.5 million. See "Initial Project costs" attached for a table of costs.

Initial Project costs (estimated) and categories are not intended to be limitations. The Project design has not been finalized, and the figures presented here are based on estimates. These estimates may change as the Project design is refined. The cost and/or size of the Project may change by up to 15% (any increases in Project cost will be funded through private sources other than the TIF Financing) without an amendment to the Project Plan.

- (B) *Eligible Project Costs:* Proceeds of the TIF Note(s) issued by PAID, and secured by projected tax increments authorized under this Project Plan, will be used to fund Initial Project costs. Tax increments authorized pursuant to this Plan will be applied to repayment of the TIF Note(s) including payment of principal, interest and any financing fees or penalties due thereon which collectively with Initial Project costs shall constitute Eligible Project Costs for purposes of the TIF Act ("Eligible Project Costs").

Tax Assumptions

		Tax Sources					
Tax Characteristics		property tax	use & occup. tax	sales tax	liquor tax	wage tax	wage tax
description		calculated against assessed value of property	calculated against assessed value of occupied parking, retail property	calculated against retail, food & beverage sales	calculated against liquor sales	calculated assuming 2003 wage tax rates	calculated assuming 2003 wage tax rates
miscellaneous characteristics		asmnt ratio 32% discount 99%	asmnt ratio 32% discount 100%			resident 85%	non-resident 15%
tax rate		rate 8.264%	rate 4.620%	rate 1.000%	rate 10.000%	rate 4.500%	rate 3.913%
Taxable Property Values							
base commercial market value		\$4,976,937	\$130,298	\$21,141			
base residential market value		\$1,022,063	\$26,758				
total base market value		\$5,999,000	\$157,056	\$21,141			
incremental retail/rest/comm'l mkt value		\$13,888,367	\$363,602	\$174,527			
incremental residential market value		\$7,387,633	\$193,411				
		\$21,276,000	\$557,013	\$174,527			
total market value		\$27,275,000	\$714,069	\$195,668			
Taxable Revenues							
base retail sales		\$1,123,512		\$11,235			
base restaurant sales		\$209,417		\$2,094			
base liquor sales		\$52,354			\$5,235		
total base sales taxes		\$1,385,284		\$13,329	\$5,235		
projected retail sales		\$8,860,860		\$68,609			
projected restaurant sales		\$8,576,075		\$85,761			
projected liquor sales		\$2,144,019			\$214,402		
total projected sales taxes		\$17,580,954		\$154,369	\$214,402		
existing operating wages		\$2,040,000				\$78,030	\$11,973
new operating wages		\$7,996,298				\$305,858	\$46,931
construction wages		\$7,515,950				\$287,485	\$44,111
		Tax Uses					
tax beneficiary(ies)		property tax	use & occ tax	sales tax	liquor tax	wage tax	wage tax
		City	School Dist	City	School Dist	City	City
		45.30%	100.00%	100.00%	100.00%	100.00%	100.00%
		School Dist					
		54.70%					
TIF basis (if any)		100.00%	50.00%	100.00%	0.00%	0.00%	0.00%

*Note: The Project design has not been finalized, and the figures presented here are based on estimates. These estimates may change as the Project design is refined. The cost and/or size of the Project may change by up to 15% (any increases in Project cost will be funded through private sources other than the TIF Financing) without an amendment to the Project Plan.

Tax Benefit

TIF taxes: property, 50% of u&o, and sales taxes

Basic Assumptions

TIF construction start	1/1/00
TIF expiration	1/1/20
Property TIF cap date	1/1/05

Source of Tax Revenue**:

year	yr	prtl	property tax	use & occup. tax	sales tax	liquor tax	wage tax	total
TIF basis (if any)								
			100%	50%	100%	0%	0%	
BASE			\$157,056	\$21,141	\$13,329	\$5,235	\$90,003	\$286,765
1/1/01	1	25%	\$303,717	\$16,252	\$10,247	\$4,025	\$399,099	\$733,340
1/1/02	2	75%	\$603,916	\$5,553	\$3,501	\$1,375	\$354,097	\$968,442
1/1/03	3	100%	\$768,974	\$210,713	\$166,239	\$230,887	\$379,915	\$1,756,729
1/1/04	4	100%	\$788,199	\$215,981	\$170,395	\$236,660	\$389,413	\$1,800,647
1/1/05	5	100%	\$807,904	\$221,380	\$174,655	\$242,576	\$399,148	\$1,845,663
1/1/06	6	100%	\$828,101	\$226,915	\$179,021	\$248,640	\$409,127	\$1,891,805
1/1/07	7	100%	\$848,804	\$232,588	\$183,497	\$254,856	\$419,355	\$1,939,100
1/1/08	8	100%	\$870,024	\$238,402	\$188,084	\$261,228	\$429,839	\$1,987,577
1/1/09	9	100%	\$891,774	\$244,362	\$192,786	\$267,759	\$440,585	\$2,037,267
1/1/10	10	100%	\$914,069	\$250,471	\$197,606	\$274,453	\$451,600	\$2,088,198
1/1/11	11	100%	\$936,921	\$256,733	\$202,546	\$281,314	\$462,890	\$2,140,403
1/1/12	12	100%	\$960,344	\$263,152	\$207,610	\$288,347	\$474,462	\$2,193,914
1/1/13	13	100%	\$984,352	\$269,730	\$212,800	\$295,555	\$486,324	\$2,248,761
1/1/14	14	100%	\$1,008,961	\$276,474	\$218,120	\$302,944	\$498,482	\$2,304,980
1/1/15	15	100%	\$1,034,185	\$283,385	\$223,573	\$310,518	\$510,944	\$2,362,605
1/1/16	16	100%	\$1,060,040	\$290,470	\$229,162	\$318,281	\$523,717	\$2,421,670
1/1/17	17	100%	\$1,086,541	\$297,732	\$234,891	\$326,238	\$536,810	\$2,482,212
1/1/18	18	100%	\$1,113,704	\$305,175	\$240,764	\$334,394	\$550,231	\$2,544,267
1/1/19	19	100%	\$1,141,547	\$312,805	\$246,783	\$342,754	\$563,986	\$2,607,874
1/1/20	20	100%	\$1,170,085	\$320,625	\$252,952	\$351,322	\$578,086	\$2,673,071
Total			\$18,122,160	\$4,738,898	\$3,735,230	\$5,174,125	\$9,288,111	\$41,028,525

Use of Tax Revenue:

TIF Fund	Note	City	School	total
		property share	54.70%	
	\$0	\$174,478	\$112,286	\$286,765
	\$141,134	\$483,574	\$108,631	\$733,340
	\$429,238	\$438,573	\$100,632	\$968,442
	\$859,614	\$464,391	\$432,724	\$1,756,729
	\$885,628	\$473,889	\$441,130	\$1,800,647
	\$912,293	\$483,624	\$449,746	\$1,845,663
	\$916,659	\$502,752	\$472,393	\$1,891,805
	\$921,135	\$522,359	\$495,607	\$1,939,100
	\$925,722	\$542,455	\$519,400	\$1,987,577
	\$930,424	\$563,054	\$543,788	\$2,037,267
	\$935,244	\$584,168	\$568,786	\$2,088,198
	\$940,184	\$605,810	\$594,409	\$2,140,403
	\$945,248	\$627,993	\$620,673	\$2,193,914
	\$950,438	\$650,730	\$647,593	\$2,248,761
	\$955,758	\$674,036	\$675,186	\$2,304,980
	\$961,211	\$697,925	\$703,469	\$2,362,605
	\$966,800	\$722,411	\$732,459	\$2,421,670
	\$972,529	\$747,508	\$762,174	\$2,482,212
	\$978,401	\$773,234	\$792,632	\$2,544,267
	\$984,421	\$799,602	\$823,851	\$2,607,874
	\$990,590	\$826,630	\$855,851	\$2,673,071
	\$17,502,670	\$12,184,720	\$11,341,135	\$41,028,525

*Note: The Project design has not been finalized, and the figures presented here are based on estimates. These estimates may change as the Project design is refined. The cost and/or size of the Project may change by up to 15% (any increases in Project cost will be funded through private sources other than the TIF Financing) without an amendment to the Project Plan.

13th Street Passage
Philadelphia, PA

Initial Project Costs

<hr/>	
Project Costs*:	
<hr/>	
Capital Costs:	
Acquisition	\$10,115,000
Construction	\$21,276,000
Fit-out	\$1,850,000
Financing Costs:	\$2,673,000
Professional, Other Costs:	\$3,656,000
Contingency	\$2,553,000
<hr/>	
Total Initial Project Costs	<u><u>\$42,123,000</u></u>

***Note: The Project design has not been finalized, and the figures presented here are based on estimates. These estimates may change as the Project design is refined. The cost and/or size of the Project may change by up to 15%**

(any increases in Project cost will be funded through private sources other than the TIF Financing) without an amendment to the Project Plan.

Source: Philadelphia Industrial Development Corporation, 1999.

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